上海电气
SHANGHAI ELECTRIC

2023
Annual Report

Shanghai Electric Group Company Limited

Performance Highlights

Total revenue of the Company for 2023 was

¥ 114,797 million

a decrease of

2.4% year-on-year

Basic profit per share of the Company for 2023 was

¥ 0.018 yuan

Basic loss per share of the Company for the corresponding period of last year was

¥ 0.228 yuan

Profits attributable to owners of the Company for 2023 was

¥ 285 million

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

¥ 3,566 million

New orders for 2023 amounted to

¥ 137.21 billion

an increase of

3.0% year-on-year

CONTENTS

CONTENTS

Chairman's Statement


Chairman Wu Lei

In 2023, the world economy exhibited a sluggish recovery, and geopolitical conflicts became more acute. The domestic economy grew in a wave-like fashion amid twists and turns, and recovery and growth were boosted. During the Reporting Period, in the face of both opportunities and challenges in the external environment, solidly promoted the implementation of the Group's "14th Five-Year Plan" strategy, and the overall operation of the Company was stable and orderly.

During the Reporting Period for the year ended 31 December 2023 (the "Reporting Period"), the Company achieved the total revenue of RMB114,797 million, representing a year-on-year decrease of 2.4%; and the gross profit margin of the Company was 18.8%, representing a year-on-year increase of 2.6 percentage points. The net profits attributable to owners of the Company for 2023 was RMB 285 million, and net losses attributable to owners of the Company for the corresponding period of last year was RMB3,566 million. The basic profit per share of the Company for 2023 was RMB0.018 yuan, basic loss per share for the corresponding period of last year was RMB0.228 yuan. During the Reporting Period, the main reasons for the turnaround from loss to profit attributable to the owners of the Company compared with the corresponding period of last year are as follows: (1) during the Reporting Period, the Company adhered to the high-quality development philosophy and focused on the main responsibility and main businesses, leading to a significant increase in gross profit and gross profit margin in certain business segments over the corresponding period of last year; (2) during the Reporting Period, the Company continuously strengthened management of receivables and intensified efforts in collection and recovery of receivables, leading to a decrease in credit impairment losses over the corresponding period of last year; (3) during the Reporting Period, losses occurred from fluctuations of the fair value of financial assets held by the Company narrowed over the corresponding period of last year.

During the Reporting Period, the Company obtained new orders in the amount of RMB137.21 billion. Among the new orders of the Company, orders for energy equipment amounted to RMB75.22 billion (of which orders for nuclear power equipment, coal-fired power equipment, energy storage equip-

ment and wind power equipment amounted to RMB8.97 billion, RMB30.32 billion, RMB12.07 billion and RMB6.94 billion, respectively), orders for industrial equipment amounted to RMB42.34 billion, and orders for Integration Services amounted to RMB19.66 billion. As at the end of the Reporting Period, our orders on hand amounted to RMB265.76 billion. Among our orders on hand by the end of the Reporting Period, orders for energy equipment amounted to RMB153.13 billion (of which orders for nuclear power equipment, coal-fired power equipment, energy storage equipment and wind power equipment amounted to RMB30.64 billion, RMB66.15 billion, RMB7.27 billion and RMB22.62 billion, respectively), orders for industrial equipment amounted to RMB15.26 billion, and orders for Integration Services amounted to RMB97.37 billion.

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

Focus on High-end Equipment Manufacturing and Cultivate Our Core Competitive Advantages

We focus on the field of high-end equipment manufacturing, actively grasp the national energy policy opportunities, serve the construction of new power system, and continuously build Shanghai Electric's core competitive advantages.

In the field of nuclear power, our nuclear power business continues to maintain the first place in the industry in terms of overall market share. During the Reporting Period, we won the bids for the three main equipment including six evaporators, four pressure vessels, and six metal core supports of China National Nuclear Corporation High Temperature Gas-cooled Reactor, achieving breakthrough in the orders for high-temperature reactor evaporator and possessing the ability to supply a complete set of mechanical nuclear island main equipment for high-tempera-

ture gas-cooled reactor. We also won the bid for a complete set of nuclear island main equipment for the integrated heating reactor in Haiyang, becoming the first domestic equipment manufacturer with the achievement of supplying a complete set of integrated heating reactors. During the Reporting Period, the Huaneng Shidaowan high-temperature gas-cooled nuclear power plant, in which we participated, completed a 168-hour continuous operation test and officially entered commercial operation. This is a landmark achievement of China's major national science and technology project with completely independent intellectual property rights, and it is also the world's first fourth-generation commercial nuclear power plant, marking that China has reached the world's leading level in the field of fourth-generation nuclear power technology. In the field of nuclear fusion, we won the bids for the first batch of procurement projects for the TF coil box of the compact fusion energy experimental device (BEST) designed by the Chinese Academy of Sciences Institute of Plasma Physics and the key main equipment project of the "Xuanlong 50" project of ENN Group, possessing the ability to supply a complete set of core equipment for the magnetically confined nuclear fusion main machine system. We also won the bids for two projects, the host system of the heavy-load hypergravity centrifuge and the rotating system of the high-speed hypergravity centrifuge of China Institute of Engineering Physics, filling the gap in China's ultra-large capacity hypergravity devices.

In the field of high-efficiency clean energy, we focus on promoting the energy revolution and enhancing the clean and efficient use of coal, and we have also leveraged on our technology and market accumulation in the thermal power sector, made efforts towards the market of "three reforms linkages" (三改聯動) of coal-fired power generation stations, and continued to set new records for the lowest coal consumption in the world for coal-fired power units, thus activating new vitality of the high-efficiency and clean development of coal-fired power generation. During the Reporting Period, thanks to the excellent performance and long-term safe and stable operation of ultra-supercritical main equipment, we won a number of orders for high-efficiency clean energy projects in China. We obtained the project of expansion of comprehensive utilisation and power generation of Guangdong Guoyue in Shaoguang, for which our independently-developed 700MW ultra-supercritical circulating fluidized bed boiler will be adopted, which is the circulating fluidized bed boiler with the largest single unit capacity, the highest parameters and the best performance in energy-saving and environmental protection in the world. We completed the high-temperature subcritical temperature and efficiency upgrade renovation for the No. 2 unit of CHN Energy Yudean Taishan Power Plant, achieving a nearly 8.3% reduction in consumption and creating a demonstrative effect of the upgrade renovation project application. During the Reporting Period, we entered into a long-term service contract for the project of gas-steam combined cycle generating unit with Bensteel Sheet Co., Ltd., achieving the breakthrough in the field of long-term service for low caloric value combustion turbines. Our first H-class gas turbine combined cycle equipment successfully passed the 168-hour full-load trial operation at the Shanghai Electric Power Minhang Power Plant's gas-steam combined cycle power generation unit demonstration project and was officially put into commercial operation.

In the field of elevator equipment, Shanghai Mitsubishi Elevator Co., Ltd. ("SMEC") adheres to the development path of "product-service dual-drive", promotes quality management that maximizes the user's entire life cycle value, and advances a quality differentiation strategy that is cost-competitive. During the Reporting Period, the first 10 m/s "Ling Yun" series LEHY-H ultra-high-speed elevator was delivered, and the traction machine, control cabinet and main safety components of the series product were manufactured independently. During the Reporting Period, the proportion of SMEC's service revenue including installation, renovation and maintenance businesses to the elevator business revenue reached 40%, with the renovation and maintenance businesses showing a trend of accelerated growth.

For our business in industrial basic parts such as blades, bearings, fasteners and tools, we adhered to the vision of "becoming a world-leading provider of solutions on industrial basic parts and the major force in replacement of imported medium- and high-end basic parts in China", continued to make efforts in product high-end and localization, industry category integration and expansion, as well as promotion of the development of industrial chain distribution clusters, and has developed "professional, refined, featured and innovative" business clusters with high quality. During the Reporting Period, Shanghai Tool Works Co., Ltd., a subsidiary of the Company, was recognised as a professional, refined, featured and innovative enterprise in Shanghai, thus, all the domestic subsidiaries of the Company in the four major industrial basic parts business areas of blades, bearings, fasteners and tools have been recognized as professional, refined, featured and innovative enterprises.

In the field of aviation assembly and manufacturing lines, we rely on our extreme manufacturing capabilities and integrated equipment strength to provide safe and controllable intelligent solutions for high-end manufacturing customers such as aircraft manufacturer and aviation engine manufacturer. During the Reporting Period, Broetje, a subsidiary of the Company, won the bid for the first domestically produced wide-body aircraft production line project, to provide customers with production line for assembling mid body wall panel components, which will support the development of China's large aircraft industry; collaborated with partners to sign cooperation agreement for the domestically developed wide-body aircraft wall panel assembly line project to jointly create demonstration project for international advanced production lines.

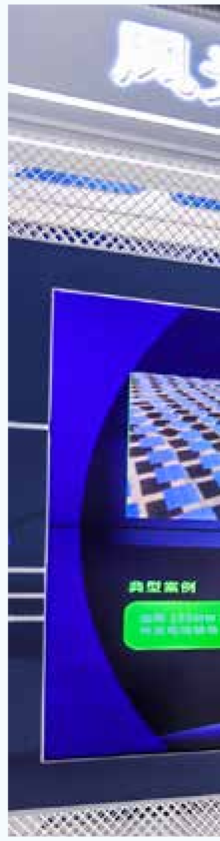
In the field of intelligent transport, Thales SEC Transportation System Limited Company released TSTCBTC®3.0, the next-generation autonomous train control signaling system, which further improves the efficiency of train control and enhances the level of intelligent autonomy of the trains through the use of the latest technologies such as autonomous obstacle detection and 5G. During the Reporting Period, we won the bid for the Qingdao Jiaozhou Medium Capacity L1 Line project, achieving a breakthrough in the iDRT digital rail transit system outside the Shanghai market. We also won the bid for urban rail transit signal projects in Nanchang, Shanghai and other cities.

Through digital technology empowerment, we have undertaken a series of digital factory and intelligent manufacturing demonstration projects, to enhance the comprehensive competitiveness of enterprises driven by data and empower the development of equipment manufacturing industry. During the Reporting Period, the intelligent turbine core equipment factory at Shanghai turbine plant of Shanghai Electric Power Generation Equipment Co., Ltd., the intelligent large turbine generator factory at Shanghai generator plant of Shanghai Electric Power Generation Equipment Co., Ltd., the intelligent elevators factory of SMEC, intelligent nuclear pump and valve factory of Shanghai Electric-KSB Nuclear Pumps and Valves Co., Ltd. were selected into the list of the top 100 Smart Factories in Shanghai. Shanghai Electric Nuclear Power Group Co., Ltd. has been selected as one of the second batch of "industrial empowerment chain leaders" cultivation enterprises by the Shanghai Municipal Commission of Economy and Information Technology. In the field of urban digital intelligence, we have won the bid for projects such as the Shanghai Yangpu Binjiang Smart Management Platform and the construction of entrance and exit perception equipment for the Shanghai Yangpu rail transit station, continuously assisting in the digital transformation of the city. Our "SEunicloud" industrial internet platform was selected as the cross industry and cross domain industrial Internet platform of the Ministry of Industry and Information Technology in 2023, becoming one of the 51 industrial Internet platforms with the highest national level.

Promote the Layout of New Energy Industries and Foster the Growth of New Industries on New Tracks

During the Reporting Period, we officially released Shanghai Electric Group's "Carbon Peaking and Carbon Neutrality" Action Plan, which puts forward the development goal of "ensuring peak carbon dioxide emissions by 2030, pursuing carbon neutrality in operations by 2035, and achieving carbon neutrality in the entire value chain by 2055". We accelerated the layout of new energy industries including wind power, photovoltaic, energy storage and hydrogen energy, fully leveraged the advantages of technological integration, and actively built "comprehensive" new power system and a "three-dimensional" zero carbon industrial park overall solution.

In the field of energy storage, we actively deployed technologies such as compressed air energy storage and liquid flow energy storage, building a diverse energy storage industry ecosystem. During the Reporting Period, we won the bid for the world's first 300MW class compressed air energy storage demonstration project under construction – the project of air compressor unit supporting motor of Hubei Yingcheng 300MW compressed air energy storage power plant demonstration project, marking that we have the ability to provide ultra-large ca-



pacity, ultra-high efficiency and ultra-high speed motor solutions to the compressor unit of advanced large-scale compressed air energy storage systems. We won the bid for the China Energy Group's 300MW compressed air energy storage power turbine generator equipment project in Jiuquan, Gansu, which is the world's first 300MW-level compressed air energy storage demonstration project using artificial caverns as the gas storage system. It employs the world's first low-melting-point molten salt high-temperature adiabatic compression technology, pioneering new routes and new solutions of large-capacity compressed air energy storage which is green, zero-carbon, efficient, economic with flexible application scenarios. During the Reporting Period, the vanadium redox flow energy storage equipment for the Japanese industrial and commercial customer-sided photovoltaic power and energy storage microgrid demonstration project that we had undertaken passed customer acceptance and its shipment was completed, which is of milestone significance to our deployment in global energy storage market. During the Reporting Period, Shanghai Electric (Anhui) Energy Storage Technology Co., Ltd., a subsidiary of the Company, completed its series A financing. With its technical expertise and industrialization progress in the field of redox flow batteries, it has developed a series of battery stacks with capacities of 5kW, 25kW, and 32kW, and has successfully delivered more than 50 redox flow battery energy storage projects and exported them to overseas markets such as Japan, Australia, and Europe.

In the field of hydrogen energy, relying on our technology accumulation in high-end equipment manufacturing and system integration, we actively provide the whole industry chain solution, for the entire hydrogen energy industry chain of "production, storage, transportation, and utilization." Shanghai Qingqi Shidai Technology Co., Ltd., a subsidiary of the Company, has a first-class water electrolysis hydrogen production R&D laboratory in the world, which provides a full range of basic support for key material research and development, component preparation and product manufacturing. Currently, our production capacity of alkaline electrolyzer has reached more than 1GW and production capacity of PEM electrolyzer has reached more than 200MW. During the Reporting Period, we completed the construction of the first "Production-Storage-Use of Green Hydrogen" integration demonstration project used in industrial parks in China, which is also the largest multi-functional test and verifi-

cation platform for PEM water electrolysis hydrogen production system in China at present.

In the field of wind power, Shanghai Electric Wind Power Group Co., Ltd. ("SEWP") continued to maintain its leading position in the field of offshore wind power. Based on the development concept of "be proficient in wind power and not limited in wind power" and years of accumulated experience in wind power, we provided customers comprehensive solutions for the entire lifecycle of wind power, and developed new application scenarios of "wind power+". During the Reporting Period, we actively promoted market development, achieving a significant breakthrough in overseas orders by successfully signing overseas wind turbine sales contracts totaling 436.5MW. In the field of offshore wind power operation and maintenance, we introduced Asia's first offshore wind SOV mother ship, which will, once put into use, greatly alleviate the current pain points of China's mainstream offshore transportation ships, such as short window periods, inability of continuous operations, frequent round trips, low efficiency, and poor adaptability to severe sea conditions, providing strong support for the operation and maintenance of deep-sea projects.

In the field of photovoltaics, during the Reporting Period, several photovoltaic projects we had undertaken in overseas markets such as the UK and Japan were successfully connected to the grid. We actively promoted the construction of high-efficiency heterojunction battery and module factories, essentially achieving a whole industrial chain capability layout from factory design, assembly and cell production line construction, material functional research, to product development. In the field of solar thermal energy, we won the bid for CGN New Energy's Tibet Ali 150MW snowy plateau "zero carbon" photothermal electricity storage demonstration project, the 50MW solar thermal power generation and heating turbine generator set, and the China Energy Engi-

neering Hami "photovoltaic (heat) storage" multi-energy complementary integrated green power demonstration project 150MW solar thermal power station turbine equipment, boosting the project construction of "integration of wind, photovoltaic and energy storage".

Increase Investment in Scientific and Technological Innovation and Enhance Industrial Development Capabilities

2023 is Shanghai Electric's "Year of Technological Innovation". Based on the Group's "14th Five-Year Plan" strategic objectives, we take scientific and technological innovation as the primary driving force for high-quality development, promote external collaboration, attract innovative resources, and construct an open, collaborative and win-win technological innovation system.

We actively undertake major national and local R&D tasks. During the Reporting Period, we have been approved for more than 20 projects, including the National Key Research and Development Program of the Ministry of Science and Technology, the Special Project for Innovation and Development of Enterprises and Level Upgrading of Shanghai State-owned Assets Supervision and Administration Commission, the Special Project for Promoting High-quality Development of Industries of the Shanghai Economic and Information Commission, the Research Program of the Shanghai Science and Technology Commission, and the Special Project for the Development of Strategic Emerging Industries of the Shanghai Development and Reform Commission. The projects cover various fields such as renewable energy, energy storage, industrial master machines, and artificial intelligence. In the "2022 Shanghai Science and Technology Awards" announced in May 2023, the Key Technologies and Applications of Optimization of Typical Process Industrial Process Operation" and "Machining Technology and Equipment for Collaborative Control of High-performance Key Components for Aerospace" won the first prize for scientific and technological progress, and the "Key Technologies and Equipment Industrialization of Interconnection of Fully Automatic Control System for Rail Transit", the "Key Technologies and Applications of Intelligent Perception and Grinding Robot Equipment for Complex Functional Surfaces", and the "Key Technologies and Applications for Intelligent Power Quality Control Device and Flexible Grid Connection Control" won the second prize for scientific and technological progress.

We are strategically positioning ourselves in the high-end equipment industry layouts with hardcore technology and achieved breakthroughs in some core technology areas. The technical achievement of "Development and Application of Main Pipe for Large Nuclear Power Plant CAP1400 (Guohe One)", of which we participated in the research and development, passed the appraisal of China Nuclear Society, which is the largest stainless steel forged main pipe in the world's pressurized water reactor (PWR) nuclear power plants at present. During the Reporting Period, we successfully realized the independent upgrade and demonstration verification of hydrogen blending technology for large F heavy-duty combustion engines in operation, which is the first hydrogen blending combustion renovation and key task project in scientific and technological research implemented by large F heavy-duty combustion engines in China. Meanwhile, we have also completed technical reserves for a higher proportion of hydrogen-blending combustion technology.

Aligned with national "dual-carbon" goals and the strategy to build a new power system, we have actively promoted the development of technology and products in the new energy field, accelerating the layout of the industrial chain capabilities in new tracks. In the field of energy storage technology, we have possessed the capacity to develop and manufacture a series of products in new types of energy storage areas, including lithium battery energy storage, vanadium redox flow energy storage, compressed air energy storage, solar thermal molten salt energy storage and flywheel energy storage. In the field of hydrogen energy technology, we have comprehensively entered the main equipment areas of the whole industry chain including "production, storage, refueling, and use". During the Reporting Period, we launched 2000Nm^3/h alkaline water hydrogen production equipment and 100Nm^3/h PEM electrolysis water hydrogen production equipment, and have already received orders in the hydrogen refueling and chemical sectors. In the field of wind power technology, SEWP has not only accumulated the largest offshore wind power sample database in China but also achieved industry breakthroughs in several offshore wind power projects. SEWP launched the 16+MW wind turbine, one of the Poseidon platform's whole ocean area high-capacity series products, which was the offshore wind turbine that had won the bidding with the largest unit capacity and the largest rotor diameter in the world at that time. During the Reporting Period, we launched a new generation of widely applicable onshore doubly-feed wind turbine platform - the Excellence Platform, which was designed to accommodate domestic low wind speed and ultra-low wind speed market, as well as applications in desert and wasteland bases. In the field of photovoltaic technology, we have proactively entered the heterojunction photovoltaic industry, and through the deployment of production capacity and technology research and development of high-efficiency heterojunction battery and module, we are committed to mastering the N-type new generation of core photovoltaic technology, promoting the implementation of the green power and zero-carbon industry, and relying on our comprehensive strength in the field of energy and industrial equipment, we continue to build the "photovoltaic +" and new energy application scenarios integrated solutions. During the Reporting Period, our project of "the first distributed 50Mvar level GVPI air-cooled synchronous condenser applied to wind and solar green energy stations in China" passed the acceptance of Shanghai's first breakthrough project of high-end energy equipment manufacturing, with the overall technology reaching the international advanced level.

During the Reporting Period, we established several technology-focused expert workshops to promote collaboration on "fundamental technologies" within the Group, empowering the enhancement of the Group's technological innovation capabilities. The central research institute of the Company and the National Research Institute for Additive Manufacturing established a joint laboratory, which will focus on mutual empowerment and collaborative innovation in such areas as additive and subtractive manufacturing equipment and industrial software. We have established the "Carbon & Digital" Joint Laboratory with Johnson Controls to jointly build green, low-carbon, intelligent and integrated solution and intelligent service platform that integrates multiple energy sources, including electricity, cooling, heat and gas. We have also been actively exploring cooperative innovations with multiple universities and research institutes, committed to building a long-term and stable platform for collaborative innovation. We have participated in drafting the group standard "Zero-Carbon Industrial Park Implementation Path Planning and Assessment"' providing a complete standard system that can be executed and referenced for domestic industrial parks for the first time.

Regarding talent development, we prioritize the strategy of "talent as the primary resource." We invest in the introduction, training, and cultivation of scientific and technological innovation talents to support Shanghai Electric's strategic development. We continued to strengthen the construction of excellent engineering team, optimized the excellent engineer training system, and deepened the integration of industry and education training models. We established market-based incentive mechanism for attracting and retaining scientific and technological talents, further improved the assessment system, and promoted the integration of the development chain of various talents and innovation chain. We have collaborated with multiple universities to carry out pilot projects for national key industry scarce talent and joint training of engineers with masters and doctoral degrees, actively exploring various modes of school-enterprise cooperation.

In 2024, we will firmly grasp the main working principle of "focusing on national strategy, seeking progress while maintaining stability, making breakthroughs in key areas, and achieving high-quality development", actively integrate into the national strategy of building a strong manufacturing country, focus on our main responsibilities and businesses, benchmark leading companies, persist in enhancing our technological innovation and market development capabilities, promote the realization of high quality development of the Group under the strategic goal of "carbon peaking and carbon neutrality" driven by scientific and technological innovation, to accelerate the construction of Shanghai Electric into a world-class equipment enterprise.

Wu Lei

Chairman

Shanghai, the PRC

28 March 2024

Corporate Profile

Corporate Information

Legal name of the Company (Chinese)	上海電氣集團股份有限公司
Abbreviated legal name of the Company (Chinese)	上海電氣
Legal name of the Company (English)	Shanghai Electric Group Company Limited
Abbreviated legal name of the Company (English)	Shanghai Electric
Company's legal representative	Wu Lei
Company's authorized representatives	Wu Lei, Liu Ping
Company's alternative authorized representative	Zhou Zhiyan
Joint Company Secretaries	Zhou Zhiyan, Leung Kwan Wai

Contact Person and Contact Details

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

Summary of Basic Information

Registered address	30/F, Maxdo Center, No.8 Xingyi Road, Shanghai (zip code: 200336)
Business address	No. 110 Sichuan Middle Road, Huangpu District, Shanghai (zip code: 200002)
Company website	http://www.shanghai-electric.com
Company email	service@shanghai-electric.com

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

Company's designated newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
The Company's annual reports available at	Office of the Board of the Company
Website designated for publishing annual report required by China Securities Regulatory Commission	www.sse.com.cn
Website designated for publishing annual report required by The Stock Exchange of Hong Kong Limited	www.hkexnews.hk

Summary Information of the Company's Shares

Class of Shares	Place of Listing of Shares	Abbreviation of Shares	Stock Code
A shares	The Shanghai Stock Exchange	上海電氣	601727
H shares	The Stock Exchange of Hong Kong Limited	SH Electric	02727

Share Registrar and Transfer Office

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

Other Relevant Information

Date of incorporation of the Company	1 March 2004
Place of incorporation of the Company	Shanghai, PRC
Name of domestic auditors appointed by the Company	PricewaterhouseCoopers Zhong Tian LLP
Business address of domestic auditors appointed by the Company	42nd Floor, Qiantan Center, No. 588 Dongyu Road, Pudong New District, Shanghai, PRC
Legal advisers appointed by the Company as to PRC laws	Grandall Law Firm (Shanghai)
Legal advisers appointed by the Company as to Hong Kong laws and U.S. laws	Clifford Chance

Five-year Financial Summary

Unit: million Currency: RMB

	2019	2020	2021 (Restatement)	2022	2023
Revenue and profit					
Revenue	127,509	137,285	130,261	117,623	**114,797**
Profit /(loss) before tax	7,263	6,346	(10,290)	(1,975)	**3,295**
Tax	(1,279)	(1,080)	50	(338)	**(1,140)**
Profit /(loss) for the year	5,984	5,266	(10,240)	(2,313)	**2,155**
Attributable to:					
Owners of the Company	3,720	3,758	(9,988)	(3,566)	**285**
Non-controlling interests	2,264	1,508	(252)	1,253	**1,870**
Dividend	-	1,127	-	-	**-**
Earnings per share attributable to ordinary equity holders of the Company					
Basic Profit/(loss) for the year (cents)	25	25	(64)	(23)	**2**
Assets and liabilities					
Non-current assets	81,323	87,457	91,026	86,867	**91,440**
Current assets	199,201	227,946	209,776	201,154	**191,827**
Current liabilities	(164,061)	(183,492)	(168,879)	(163,525)	**(167,725)**
Net current assets	35,140	44,454	40,897	37,629	**24,102**
Total assets less current liabilities	116,463	131,911	131,923	124,496	**115,542**
Non-current liabilities	(24,873)	(25,061)	(33,778)	(30,301)	**(38,615)**
Net assets	91,589	106,849	98,144	94,194	**76,927**
Equity attributable to owners of the Company	63,346	66,401	58,134	54,862	**52,798**
Non-controlling interests	28,243	40,448	40,010	39,332	**24,129**

Notes:
As approved at 2019 annual general meeting, the Company prepares only one set of financial statements in accordance with the PRC Accounting Standards for Business Enterprises from 2020 onwards. In the above table, the financial summary for the years 2019 represents the data in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, and the financial summary for the years 2020 to 2023 represents the data in the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises.

Key Accounting Data and Financial Indicators

Unit: '000 Currency: RMB

Key accounting data and financial indicators	2023	2022	Year-on-year increase/ decrease (%)
Total assets	283,266,567	288,020,852	(1.65)
Net assets attributable to shareholders of the parent company	52,797,888	54,862,313	(3.76)
Net assets per share attributable to shareholders of the parent company (RMB/share)	3.39	3.51	(3.42)
Revenue	114,797,077	117,623,118	(2.40)
Operating profit /(loss)	3,355,130	(2,024,458)	N/A
Profit /(loss) before tax	3,294,809	(1,975,298)	N/A
Net profit /(loss) attributable to shareholders of the parent company	285,155	(3,566,484)	N/A
Basic earnings per share (RMB/share)	0.018	(0.228)	N/A
Weighted average return on net assets (%)	0.53	(6.31)	N/A
Net cash flows generated from operating activities	7,796,692	8,482,815	(8.09)
Net cash flows per share generated from operating activities (RMB/share)	0.50	0.54	(7.41)

Share Capital Structure

As at 31 December 2023	Number of shares	Approximate percentage of issued share capital
A shares	12,655,327,092	81.23%
H shares	2,924,482,000	18.77%
Total	15,579,809,092	100.00%

Disclosure of Interests

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

The followings are interests and short positions of substantial shareholders as at 31 December 2023 as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Hong Kong ("SFO") and as to the knowledge of the Company:

Name of Substantial Shareholder	Class of shares	Identity	Note	Number of shares	Nature of Interest	Approximate percentage of shareholding in the relevant class of shares (%)	Approximate percentage of shareholding in the total issued share capital of the Company (%)
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	8,617,072,862	Long position	68.09	55.31
	H	Interest of controlled corporation	1	313,642,000	Long position	10.72	2.01
Shanghai Electric Holding Group Co., Ltd.	A	Beneficial owner	1	7,442,101,913	Long position	58.81	47.77
	H	Beneficial owner	1	280,708,000	Long position	9.60	1.80
	H	Interest of controlled corporation	1,2	32,934,000	Long position	1.13	0.21
Shanghai State-owned Capital Investment Co., Ltd.	A	Beneficial owner	1	785,298,555	Long position	6.21	5.04
Shenergy (Group) Company Limited	A	Beneficial owner	1	389,672,394	Long position	3.08	2.50

Notes:

1. Shanghai Electric Holding Group Co., Ltd. (上海電氣控股集團有限公司)("SEGC", formerly known as "Shanghai Electric (Group) Corporation（上海電氣（集團）總公司）", completed the industrial and commercial change registration on 28 January, 2022) , Shanghai State-owned Capital Investment Co., Ltd. (上海國有資本投資有限公司) and Shenergy (Group) Company Limited （申能（集團）有限公司） were wholly owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會) and accordingly, their interests in the A shares and H shares of the Company were deemed to be the interests of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

2. Shanghai Electric Holding Group Co., Ltd. (上海電氣控股集團有限公司) through its wholly-owned subsidiary, Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司), held H shares of the Company.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 31 December 2023 required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, none of the directors, supervisors or chief executives of the Company (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules")) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified by the directors, supervisors or chief executives to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Hong Kong Listing Rules. In addition, no right to acquire the aforementioned interests had been granted to the directors, supervisors or chief executives of the Company.

Directors, Supervisors, Senior Management and Staff

Changes in Shareholdings and Remuneration of Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Current term of office commencing on	Current term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares for the year	Reason for the change	Total remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Wu Lei	Executive Director and Chairman of the Board	Male	46	9 January 2024	To present (Note 1)					
Liu Ping	Executive Director and President	Male	53	8 November 2021 (Executive Director) 23 August 2021 (President)	To present (Note 1)					79.75
Zhu Zhaokai	Executive Director	Male	55	18 September 2018	To present (Note 1)					99.05
Shao Jun	Non-executive Director	Male	49	23 February 2024	To present (Note 1)					
Lu Wen	Non-executive Director	Female	47	23 February 2024	To present (Note 1)					
Xi Juntong	Independent Non-executive Director	Male	60	18 September 2018	To present (Note 1)					25
Xu Jianxin	Independent Non-executive Director	Male	68	14 November 2019	To present (Note 1)					25
Liu Yunhong	Independent Non-executive Director	Male	47	25 November 2020	To present (Note 1)					25
Cai Xiaoqing	Supervisor, Chairman of the Supervisory Committee	Male	59	28 June 2021	To present (Note 1)					110.06
Han Quanzhi	Supervisor	Male	59	18 September 2018	To present (Note 1)					
Yuan Shengzhou	Supervisor (employee representative)	Male	58	20 May 2019	To present (Note 1)					92.60
Dong Jianhua	Vice president	Male	58	18 September 2018	To present (Note 1)					94.85
Chen Ganjin	Vice president	Male	55	18 September 2018	To present (Note 1)					84.896

Name	Position	Gender	Age	Current term of office commencing on	Current term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares for the year	Reason for the change	Total remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Gu Zhiqiang	Vice president	Male	59	18 September 2018	To present (Note 1)					94.700
Jin Xiaolong	Vice president	Male	56	18 September 2018	To present (Note 1)					84.896
Yang Hong	Vice president	Female	51	30 September 2020	To present (Note 1)					82.946
Zhou Zhiyan	Chief Financial Officer, secretary to the Board	Male	60	14 January 2022	To present (Note 1)					121.50
Tong Liping	Chief Legal Officer	Female	52	18 September 2018	To present (Note 1)					120
Fu Min	Chief Auditor, Chief Compliance Officer	Female	51	18 April 2022 (Chief Auditor) 25 April 2023 (Chief Compliance Officer)	To present (Note 1)					106.80
Leng Weiqing	Executive Director, Chairlady of the Board and Chief Executive Officer (resigned)	Female	55	23 August 2021 (Executive Director and Chairlady of the Board) 27 August 2021 (Chief Executive Officer)	16 November 2023					110.06
Yao Minfang	Non-executive Director (resigned)	Female	56	18 September 2018	23 February 2024					
Li An	Non-executive Director (resigned)	Female	62	18 September 2018	23 February 2024					
Zhang Mingjie	Chief Operating Officer (resigned)	Male	60	23 February 2022	29 March 2023					28.4

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

Major Work Experience

Wu Lei

Dr. Wu is currently the secretary of the Party Committee, an executive Director and chairman of the Board of the Company, the secretary of the Party Committee and chairman of the board of directors of SEGC, the chairman of the board of directors of SMEC, the chairman of the board of directors of Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co. Ltd., and a representative to the 16th Shanghai Municipal People's Congress. Dr. Wu served as the deputy general manager of SAIC Motor Manufacturing Co., Ltd., assistant to chairman of SAIC Motor Corporation Limited, deputy general manager of Volkswagen Transmission (Shanghai) Co., Ltd., executive director of the finance department of Shanghai Automotive Industry Corporation (Group), member of the disciplinary inspection committee and chief financial officer of Shanghai Automotive Industry Corporation (Group), vice president of SAIC Motor Corporation Limited, deputy head of planning department at the Ministry of Industry and Information Technology of China (temporary post), deputy director of Shanghai Municipal Commission of Economy and Informatization, director of Shanghai Municipal Office of National Defense Science and Technology Industry (上海市國防科技工業辦公室) and executive deputy director of Shanghai Municipal Office of Commission for Integrated Military and Civilian and Development (上海市委軍民融合發展委員會辦公室) (Bureau-head level). Dr. Wu obtained a doctor's degree in management and is a senior engineer.

Liu Ping

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

Zhu Zhaokai

Mr. Zhu currently serves as the deputy secretary of the Party Committee and an executive Director of the Company, the chairman of labor union of the Company, the chairman of labor union of Shanghai Mechanical and Electrical Union, a director of SEGC, president of the Party School of SEGC and dean of Li Bin Technician College of SEC. Mr. Zhu has extensive experience in the power generation equipment manufacturing industry. He served as the deputy secretary of the Party Committee and secretary of Commission for Discipline Inspection of the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. and Shanghai Turbine Works Co., Ltd. from 2001 to 2009, and the secretary of the Party Committee and an executive director of the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. and Shanghai Turbine Works Co., Ltd. from 2009 to 2011. He served as head of the human resources department of SEGC from 2011 to 2018 and the secretary of the Party Committee of Shanghai Electric Power Generation Group from 2013 to 2018. Mr. Zhu graduated from Hefei University of Technology with a bachelor's degree in engineering and from Shanghai Jiao Tong University with a master's degree in business administration. He is a professor-level senior economist.

Shao Jun

Mr. Shao is currently a non-executive Director of the Company, the general manager of the investment management department of Shenergy (Group) Company Limited, a director of Shenergy Co., Ltd., a director of Shanghai LNG Company Ltd., a director of Shanghai Shenergy Energy Service Co., Ltd., a director of Shanghai Shenxin Environmental Protection Industry Co., Ltd., a director of Shanghai Jiulian Group Co., Ltd., the vice chairman of the board of directors of Shanghai Shenergy Nengchuang Energy Development Co., Ltd.. Mr. Shao once served as the manager, senior manager and deputy director in the general manager office of the West-East Natural Gas Transmission Pipeline Branch of China National Petroleum Corporation, deputy investigator and deputy director of the Shanghai Municipal Development & Reform Commission, deputy manager of the investment management department of Shenergy (Group) Company Limited, deputy general manager of Shanghai Gas (Group) Co., Ltd., vice president of Shanghai Gas Co., Ltd., and chairman of the supervisory committee of Shanghai Jiulian Group Co., Ltd. Mr. Shao holds a bachelor's degree in philosophy and is an economist.

Lu Wen

Ms. Lu is currently a non-executive Director of the Company, a member of the Party Committee, vice president and employee director of Shanghai State-owned Capital Investment Co., Ltd., a director of Arcplus Group PLC, a director of Shanghai Futeng Private Equity Fund Management Co., Ltd., chairlady of board of directors of Comprehensive Reform Experimental Enterprise Management (Shanghai) Co., Ltd. and a supervisor of Shanghai State-owned Capital Investment FOF Co., Ltd.. Ms. Lu served as an audit manager of PricewaterhouseCoopers Zhong Tian LLP, the director of the investment department of Shanghai Lingang Economic Development (Group) Co., Ltd., the director, executive vice president and the board secretary of Shanghai Lingang Holdings Co., Ltd.. Ms. Lu holds a master's degree in accounting and is a certified public accountant.

Xi Juntong

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

Xu Jianxin

Dr. Xu currently serves as an independent non-executive Director of the Company, the senior vice president of Shanghai Purest Investment Management Co., Ltd., an independent director of QST Corporation Ltd. (上海矽睿科技股份有限公司) and an independent director of Shanghai Jin Jiang International Hotels Company Limited (上海錦江國際酒店股份有限公司). From February 1982 to November 1997, Dr. Xu served as a lecturer and associate professor of accounting at Shanghai University of Finance and Economics. From November 1997 to December 2014, he served as the deputy chief accountant, director, chief financial officer, and chief economist of Orient International (Holding) Co., Ltd.. Since January 2015, he has served as the senior vice president of Shanghai Purest Investment Management Co., Ltd.. Dr. Xu graduated from Shanghai University of Finance and Economics with a doctorate. He is a professor-level senior accountant and a Chinese certified public accountant.

Liu Yunhong

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

Cai Xiaoqing

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

Han Quanzhi

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

Yuan Shengzhou

Mr. Yuan currently serves as an employee representative of the supervisory committee, the executive vice chairman of labor union of the Company and the executive vice chairman of labor union of Shanghai Mechanical and Electrical Union. Mr. Yuan served as the secretary of the Youth League Committee, the director of general office and the deputy secretary of the Party Committee, the secretary of the commission for discipline inspection, the chairman of labor union, the chairman of supervisory committee, the secretary of the Party Committee, and an executive director of Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd., the deputy secretary of the Party Committee and the vice president of Shanghai Electric Environmental Protection Group, and a supervisor of the supervisory committee of SEGC. Mr. Yuan holds a postgraduate education background and a bachelor's degree in engineering and is a senior political affairs specialist.

Dong Jianhua

Mr. Dong is currently a vice president of the Company, a director of SEGC and the chairman of the board of directors of Shanghai Highly (Group) Co., Ltd, a director of Shanghai Proton and Heavy Ion Center Asset Management Co., Ltd. (上海質子重離子醫院有限公司), the secretary of the Party Committee of J-Yuan Trust Co., Ltd.. He was formerly the vice president and chief financial officer of SEGC and chairman of the supervisory committee of the Company. Prior to joining SEGC, Mr. Dong was the assistant to the head and the deputy head of Infrastructure Office, the deputy head and head of the Fixed Assets Investment and Audit Office, the head of the Financial Audit Office of Shanghai Municipal Audit Bureau between 1987 and 2008. Mr. Dong has been involved in professional auditing for more than 20 years. Mr. Dong graduated from Shanghai Tongji University with a bachelor's degree in engineering. He also obtained a master's degree in business administration from Shanghai Jiao Tong University. Mr. Dong is a professor-level senior economist.

Chen Ganjin

Mr. Chen is currently a vice president of the Company, a director of CLP Combined Heavy Gas Turbine Technology Co., Ltd. (中電聯合重型燃氣輪機技術有限公司). He was formerly the chairman of the board of directors and the secretary of the Party Committee of Shanghai Boiler Works, Ltd., the general manager of Shanghai Diesel Engine Co., Ltd., the general manager and the secretary of the Party Committee of Shanghai Rail Traffic Equipment Development Co., Ltd., the president of Shanghai Electric Heavy Industry Group, the chairman of Shanghai Heavy Machinery Plant Co., Ltd., the chief operation officer of the Company, the secretary of the Party Committee and general manager of Shanghai Zhangjiang (Group) Company Limited and vice chairman of Shanghai Electric Transmission and Distribution Group Co., Ltd.. Mr. Chen graduated from Xi'an Jiaotong University with a bachelor's degree in Engineering, majoring in thermal energy and power engineering of power stations. Mr. Chen obtained a master's degree in business administration from China Europe International Business School and a master's degree in professional accounting from The Chinese University of Hong Kong. Mr. Chen is a senior engineer.

Gu Zhiqiang

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

Jin Xiaolong

Mr. Jin is currently a vice president of the Company, the secretary of the Party Committee and the chairman of the board of directors of Shanghai Electric New Energy Development Co., Ltd.. He served as the secretary of the Party Committee and deputy general manager of Shanghai Faiverley Transport Co., Ltd., the secretary of the Party Committee and deputy general manager of Lingang Factory of Shanghai Electric Power Generation, the vice president of Shanghai Electric Power Generation Group, the executive director and the general manager of Shanghai Electric Wind Power Equipment Co., Ltd, the vice chairman and general manager of Shanghai Electric Wind Energy Co., Ltd. and Siemens Wind Power Turbines (Shanghai) Co., Ltd., the secretary of the Party Committee and the chairman of the board of directors of Shanghai Electric Wind Power Group Co., Ltd., the president and the deputy secretary of the Party Committee of Shanghai Electric Power Generation Group, person in charge of power station branch of Shanghai Electric Group Company Limited, chairman of board of directors of Shanghai Electric Power Generation Equipment Co., Ltd.. Mr. Jin graduated from Harbin Institute of Technology with a bachelor's degree in engineering and obtained a master's degree in business administration from Webster University. Mr. Jin is a professor-level senior economist.

Yang Hong

Ms. Yang currently serves as a vice president of the Company, head of science and technology management department of the Company, the dean of the central research institute of the Company, vice chairlady of board of directors of AECC Commercial Aircraft Engine Co., Ltd. (中國航發商用航空發動機有限公司), a director of Shanghai Shengyi Dianxing Enterprise Development Co., Ltd.. Ms. Yang used to serve as the chief engineer, the head of technology department, the director of the Design Institute, the secretary of the Party Branch, the general manager and deputy secretary of the Party Committee of the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. (上海電氣電站設備有限公司上海汽輪機廠) and Shanghai Turbine Works Co., Ltd. (上海汽輪機廠有限公司) and the vice president of Shanghai Electric Power Generation Group (上海電氣電站集團), Shanghai Electric Power Generation Equipment Co., Ltd. (上海電氣電站設備有限公司) and the chairlady of the board of directors of Shanghai Automation Instrumentation Co., Ltd. (上海自動化儀錶有限公司). Ms. Yang graduated from Xi'an Jiaotong University. Ms. Yang holds a master degree in engineering and is a senior engineer at a professor level.

Zhou Zhiyan

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

Tong Liping

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

Fu Min

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

Employments with Shareholder Entities of the Company

Name	Name of shareholder entities	Position in shareholder entities	Term of office commencing on	Term of office ending on
Wu Lei	SEGC	Secretary of the Party Committee, chairman of the board of directors	2023-12	to present
Liu Ping	SEGC	Vice chairman of the board of directors	2022-1	to present
Zhu Zhaokai	SEGC	Director	2022-1	to present
Dong Jianhua	SEGC	Director	2018-8	to present
Dong Jianhua	Shanghai Highly (Group) Co., Ltd.	Chairman of the board of directors	2017-12	to present
Gu Zhiqiang	Shanghai Electric Kangda Medical Instrument Group Co., Ltd.	Chairman of the board of directors	2019-11	to present
Yang Hong	Shanghai Automation Instrumentation Co., Ltd.	Chairlady of the board of directors	2020-10	2023-11
Fu Min	SEGC	Chairlady of the supervisory committee	2024-1	to present
Shao Jun	Shenergy (Group) Company Limited	General manager of the investment management department	2021-12	to present
Shao Jun	director of Shenergy Co., Ltd.	Director	2023-5	to present
Shao Jun	Shanghai LNG Company Ltd.	Director	2020-1	to present
Shao Jun	Shenergy Energy Service Co., Ltd.	Director	2022-12	to present
Shao Jun	Shanghai Shenxin Environmental Protection Industry Co., Ltd	Director	2022-12	to present
Shao Jun	Shanghai Jiulian Group Co., Ltd.	Director	2023-1	to present
Shao Jun	Shanghai Shenergy Nengchuang Energy Development Co., Ltd.	Vice chairman of the board of directors	2024-1	to present
Lu Wen	Shanghai State-owned Capital Investment Co., Ltd.	Vice president	2021-6	to present
Lu Wen	Shanghai State-owned Capital Investment Co., Ltd.	Employee director	2021-11	to present

Employments with Other Companies or Organizations

Name	Name of company/organization	Position held	Term of office commencing on	Term of office ending on
Wu Lei	Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co. Ltd.	Chairman of the board of directors	2023-12	to present
Lu Wen	Arcplus Group PLC	Director	2022-2	to present
Lu Wen	Shanghai Futeng Private Equity Fund Management Co., Ltd.	Director	2021-12	to present
Lu Wen	Comprehensive Reform Experimental Enterprise Management (Shanghai) Co., Ltd.	Chairlady of the board of directors	2021-12	to present
Lu Wen	Shanghai State-owned Capital Investment FOF Co., Ltd.	Supervisor	2023-9	to present
Xi Juntong	Shanghai Jiao Tong University	Professor of Mechanical Manufacture and Automation and at the State Key Laboratory of Mechanical System and Vibration and Doctoral Supervisor	2003-4	to present
Xi Juntong	Shanghai Intelligent Manufacturing Institute(上海智能製造研究院)	Acting dean	2015-12	to present
Xi Juntong	Shanghai Jiaotong University-Lingang Group Intelligent Manufacturing Innovation Technology Co., Ltd.	General manager	2016-10	to present
Xi Juntong	Shanghai Hi-tech Control System Co., Ltd.	Independent director	2018-5	to present
Xi Juntong	Shanghai Friendess Electronics Technology Co., Ltd.	Independent director	2018-7	to present
Xi Juntong	Shang Gong Group Co., Ltd.	Independent director	2020-6	to present
Xi Juntong	Shanghai Smart Manufacturing R&D and Transformation Functional Platform	General manager	2020-5	to present
Xu Jianxin	Shanghai Purest Investment Management Co., Ltd.	Senior vice president	2015-1	to present
Xu Jianxin	Shanghai Shimao Co., Ltd.	Independent director	2021-6	2023-8
Xu Jianxin	QST Corporation Ltd.	Independent director	2021-6	to present
Xu Jianxin	Shanghai Jin Jiang International Hotels Company Limited	Independent director	2022-6	To present
Liu Yunhong	the Institute of International M&A and Investment of Renmin University of China	Deputy head	2016-5	to present
Liu Yunhong	Foresea Life Insurance (Shanghai) Research Institute	Head	2019-6	to present
Liu Yunhong	Sinolink Securities Co., Ltd.	Independent director	2022-6	to present
Liu Yunhong	BOCOM International Trust Co., Ltd.	Independent director	2022-11	to present
Liu Yunhong	Shanghai Rural Commercial Bank Co., Ltd.	Independent director	2024-1	to present
Liu Yunhong	Bank of Hangzhou Wealth Management Co., Ltd.	External supervisor	2023-9	to present
Dong Jianhua	Shanghai Proton and Heavy Ion Center Asset Management Co., Ltd. (上海質子重離子醫院有限公司)	Director	2015-4	to present
Dong Jianhua	Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司)	Chairman of the Supervisory Committee	2018-1	2023-12
Dong Jianhua	J-Yuan Trust Co., Ltd.	the secretary of the Party Committee	2022-10	to present
Chen Ganjin	CLP Combined Heavy Gas Turbine Technology Co., Ltd. (中電聯合重型燃氣輪機技術有限公司)	Director	2017-1	to present
Yang Hong	AECC Commercial Aircraft Engine Co., Ltd. (中國航發商用航空發動機有限公司)	Vice chairlady of board of directors	2020-11	to present
Yang Hong	Shanghai Shengyi Dianxing Enterprise Development Co., Ltd.	Director	2023-4	to present

Directors, Supervisors, Senior Management and Staff

Remunerations of Directors, Supervisors and Senior Management

Procedures for determining the remunerations of Directors, Supervisors and senior management	The remunerations of our Directors and Supervisors (non-employee representatives) are determined in general meeting, while the remunerations of our senior management are determined by the board of directors of the Company.
Should directors abstain from the discussion of the board of directors regarding their own compensations	Yes
The recommendations made by the compensation and assessment committee or independent directors' special meeting regarding remunerations of directors, supervisors, and senior management	At the second meeting of the Remuneration Committee of the Company in 2023, the Resolution of Proposing to General Meeting to Authorise the Board of Directors to Confirm the Remuneration for Directors and Supervisors of the Company for 2022 and Approve the Remuneration Limit for Directors and Supervisors of the Company for 2023 and the Resolution on Confirming the Remuneration for the Senior Management of the Company for 2022 and Approve the Remuneration Limit for Senior Management of the Company for 2023 were reviewed and approved. At the first meeting of the Remuneration Committee of the Company in 2024, the Resolution of Proposing to General Meeting to Authorise the Board of Directors to Confirm the Remuneration for Directors of the Company for 2023 and Approve the Remuneration Limit for Directors of the Company for 2024 and the Resolution on Confirming the Remuneration for the Senior Management of the Company for 2023 and Approve the Remuneration Limit for Senior Management of the Company for 2024 were reviewed and approved, and it's considered that the remuneration for the senior management during the Reporting Period was in line with the relevant requirements of the SASAC and the Implementing Rules of Shanghai Electric Group Company Limited for Further Deepening the Reform of Remuneration System for Professional Executives.
Basis for determining the remunerations of Directors, Supervisors and senior management	The remunerations of our Directors and Supervisors (non-employee representatives) are determined based on a number of factors, such as the operating results of the Company, their responsibilities, performance and market conditions. The remunerations of our Supervisors (employee representatives) and Senior Management are determined based on their responsibilities and performance appraisal in respect of the completion of annual operation plan.
Remunerations paid to Directors, Supervisors and senior management	Remunerations were paid to the Directors, Supervisors and senior management of the Company based on their respective entitlement.
Total actual remunerations received by all Directors, Supervisors and senior management up to the end of reporting period	RMB13,855.08 thousand

Changes in Directors, Supervisors and Senior Management of the Company

Name	Position	Change	Reason for the change
Wu Lei	Executive Director, Chairman of the Board	Appointed	Work requirements
Shao Jun	Non-executive Director	Appointed	Work requirements
Lu Wen	Non-executive Director	Appointed	Work requirements
Leng Weiqing	Executive Director, Chairlady of the Board, CEO	Resigned	Work re-designation
Yao Minfang	Non-executive Director	Resigned	Age concern
Li An	Non-executive Director	Resigned	Age concern
Fu Min	Chief Compliance Officer	Appointed	Work requirements
Zhang Mingjie	Chief Operating Officer	Resigned	Age concern

Employees of the Company and Its Major Subsidiaries

Number of current employees of the Company	157
Number of current employees of the major subsidiaries	42,033
Total number of current employees	42,190
Number of retired employees for whom the Company and its major subsidiaries are responsible for the retirement benefits	442

Functional classification

Categories by function	Number of persons
Production personnel	19,054
Sales personnel	3,010
Technical personnel	13,419
Financial personnel	1,134
Administrative personnel	5,573

Education Level

Categories by education level	Number of persons
Postgraduate and above	4,456
Undergraduate	18,161
Tertiary education	9,341
Secondary education and below	10,232

Gender

Categories by gender	Number of persons
Male	32,688
Female	9,502

Directors, Supervisors, Senior Management and Staff

Remuneration Policy

The Company set up a comprehensive system which synchronized the increase of employees' salaries with the improvement in labor productivity; thus, the level of wage increase of the Company and the wages adjustment of employees of various work positions can be determined reasonably. At the same time, while taking into account the internal fairness of the employee's salary income, the Company adheres to the performance orientation by taking the performance target as the foundation, strengthening the rigid assessment, and deducting all the performance salary of the year for those who fail to pass the annual assessment, so as to reasonably widen the salary gap; In the event of receiving party and government disciplinary punishment for violation of discipline and law, a salary recourse and deduction system has been established. Besides, the Company constantly insists on the general requirement of "Dual Inclination, Dual Care" and implements policies that tilted towards scientific and technological staff and the front-line technical workers.

Training Program

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

Labor Outsourcing

Total remuneration paid for labor outsourcing	RMB123 million

Services Contracts with Directors and Supervisors

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

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

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

Management Contracts

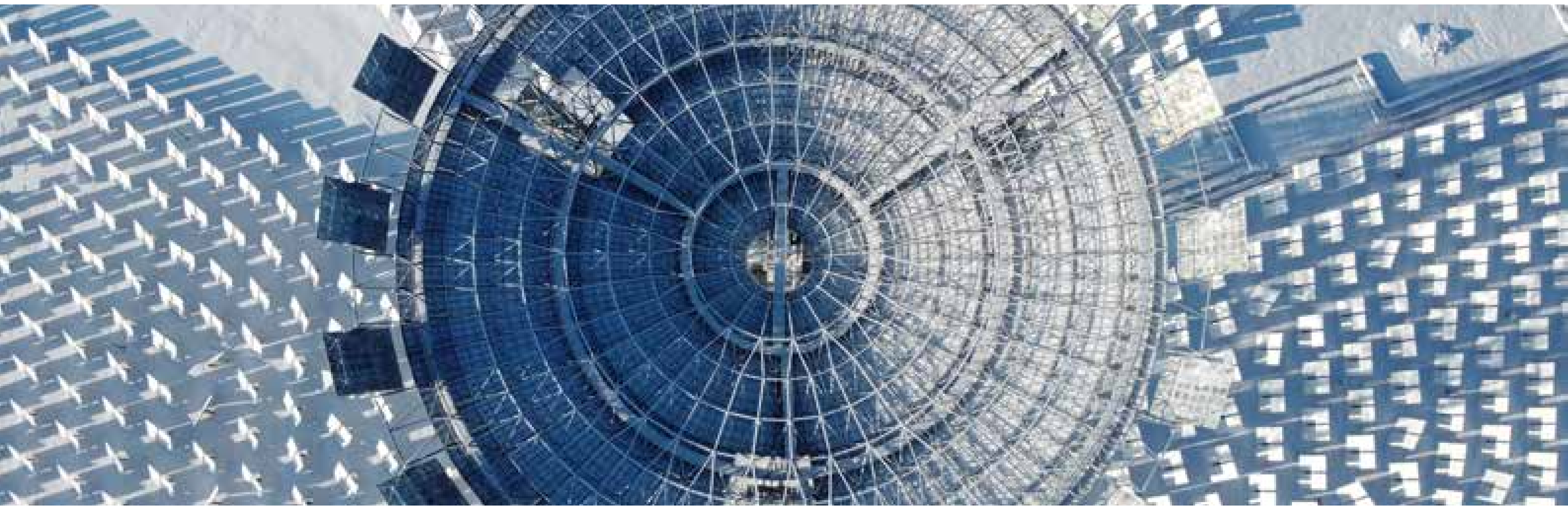
During the Reporting Period, the Company did not have any subsisting contract (except the service contracts entered into with any Directors, Supervisors or full-time employees of the Company) under which any individual or entity undertakes the management and administration of the whole or any substantial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

Permitted Indemnity Provision

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

Share Incentive Scheme

During the Reporting Period, there are no existing effective share incentive schemes of the Company.



Corporate Governance Report

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

The Company will periodically review and update the existing practices to keep abreast of the latest developments in corporate governance.

Corporate Culture

The Company has established a corporate culture concept system that includes mission, vision, core values and spiritual spectrum. With "empower global industry, make life smarter" as its mission, the Company are committed to "become a world-class equipment group leading the industrial development".

Based on high-end equipment industry, we focus on energy equipment, industrial equipment and Integration Services to promote the high-quality development of Chinese and global industries with technological empowerment. We provide not only leading high-end equipment, technologies and services, but also green, low-carbon and smart solutions that meet diverse needs, in order to make life smarter.

We are committed to being a maker of important instruments of the state by focusing on high-end equipment as our main responsibilities and main business, undertaking the important task of national industry development and concentrating efforts on high-quality development. We are committed to being a leader of technological innovation by leading the trend of industrial innovation with science and technology to achieve industrial intelligence and service industrialization. We are committed to being a practitioner of green and low-carbon development by firmly implementing the dual-carbon goals and promote green and low-carbon development across the industry. We are committed to being a creator of smarter life by creating green and sustainable value for a better life of humankind with smart solutions.

Model Code for Securities Transactions by Directors

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 to the Hong Kong Listing Rules. All Directors and Supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code throughout the year 2023. The Company was not aware of any non-compliance with the Model Code by any of its employees.

Board of Directors

As of the issuance date of this report, the Board comprised eight Directors, including three executive Directors, namely Dr. Wu Lei (appointed on 9 January 2024), Mr. Liu Ping and Mr. Zhu Zhaokai; two non-executive Directors, namely Mr. Shao Jun (appointed on 23 February 2024) and Ms. Lu Wen (appointed on 23 February 2024); and three independent non-executive

Directors, namely, Dr. Xi Juntong, Dr. Xu Jianxin and Dr. Liu Yunhong. Ms. Leng Weiqing resigned as executive Director on 16 November 2023. Among them, Dr. Wu Lei, Mr. Shao Jun and Ms. Lu Wen, who are directors newly appointed in 2024, have confirmed their acknowledgment of their obligations as directors of a listed company and have obtained legal advice prior to effective date of the appointment as required under Rule 3.09D of the Hong Kong Listing Rules on 19 December 2023, 14 January 2024 and 14 January 2024, respectively. Ms. Yao Minfang and Ms. Li An resigned as non-executive Director on 23 February 2024. During the Reporting Period, the number of independent non-executive Directors represented no less than one-third of the total number of Directors.

Members of the Board have different professional backgrounds with expertise in various aspects such as corporate management, technology development, financial management, strategic investment and human resources management. Their biographical particulars are set out in the section headed "Directors, Supervisors, Senior Management and Staff" of this annual report.

The independent non-executive Directors of the Company are aware of the rights and obligations of directors and independent non-executive directors of listed companies. During the Reporting Period, the independent non-executive Directors attended the Board meetings in prudent, responsible, proactive and earnest manner. Fully leveraging on their experience and expertise, they made tremendous efforts in improving corporate governance and facilitating major decision-making process, expressed fair and objective opinions on matters concerning significant events and connected transactions of the Company, enhanced the scientific development and standardization of the Board's decision-making process and safeguarded interests of the Company and its shareholders as a whole effectively.

Each of the independent non-executive Directors has confirmed his independence with the Company as required under Rule 3.13 of the Hong Kong Listing Rules annually. The Company has received the annual confirmations of their independence from such Directors. After assessment of their independence with reference to the independence criteria set out in Rule 3.13 of the Hong Kong Listing Rules, the Company considered them independent in 2023.

Rights and duties of the Board and the management have been clearly specified in the Articles of Association to ensure adequate check and balance for sound corporate governance and internal controls. The Board formulates overall development strategies of the Group, monitors its financial performance and maintains effective supervision over the management. Members of the Board act in an effort to maximize the long-term interests of shareholders and achieve business goals and development direction of the Group amidst the prevailing economic and market conditions. The management is responsible for daily operation and management. The management of the Company, under the leadership of the President, is responsible for implementing various resolutions made by the Board and organizing daily operation and management of the Company.

Every member of the Board has the right to access documents and relevant materials of the Board, to consult the Company Secretary and the Secretary to the Board on regulatory and compliance matters and to seek external professional advice when necessary to ensure independent views and input are available to the Board. The Company Secretary and the Secretary to the Board advise all Directors on the requirements under the Hong Kong Listing Rules and other applicable provisions to ensure the Company's compliance with and maintenance of excellent corporate governance. The Board believes that the implementation of the above mechanisms during the Reporting Period is effective.

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

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

Attendance record of Directors at Board meetings and general meetings

Name of Director	Independent Non-executive Director	Attendance at Board meetings: Required attendance in Board meetings during the year	Attendance in person	Attendance via other communication means	Attendance by proxy	Absence	Absence for two consecutive meetings in person	Attendance at general meetings: Attendance record at general meetings
Leng Weiqing	No	10	10	7	0	0	No	0
Liu Ping	No	12	12	9	0	0	No	1
Zhu Zhaokai	No	12	12	9	0	0	No	1
Yao Minfang	No	12	12	10	0	0	No	1
Li An	No	12	12	12	0	0	No	0
Xi Juntong	Yes	12	12	9	0	0	No	1
Xu Jianxin	Yes	12	12	9	0	0	No	2
Liu Yunhong	Yes	12	12	10	0	0	No	1

Number of Board meetings convened during the year	12
Of which: number of on-site meetings	0
Number of meetings convened via other communication means	9
Number of on-site meetings assisted by other communication means	3

Corporate Governance Functions

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

During the Reporting Period, the Board is of the view that the Company has complied with the requirements of Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules (the "Code"), except for the deviation from requirement of Code Provision C.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision C.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the Reporting Period, except for the short-term vacancy caused by the resignation of the former chairman of the Board and chief executive officer, the chairman of the Board and chief executive officer of the Company were assumed by one person, who was mainly responsible for the strategic decisions of the Company. The executive director and president of the Company were assumed by another person, who was fully responsible for the daily operation and execution of the Company. The Company considers that the roles and responsibilities of the Board and the management are clear and there is no concentration of management power.

Strategy Committee

The strategy committee of the Board of the Company (the "Strategy Committee") currently comprises Dr. Wu Lei (appointed on 9 January 2024), Mr. Liu Ping, Dr. Xi Juntong and Dr. Xu Jianxin, and is chaired by Dr. Wu Lei. Ms. Leng Weiqing, the former Chairlady and a former member of the Strategy Committee, resigned on 16 November 2023.

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

Audit Committee

The audit committee of the Board of the Company (the "Audit Committee") is mainly responsible for reviewing and overseeing the risk management of the Company, financial reporting procedures and internal control system, reporting the results of such review and making recommendations to the Board, and overseeing as well as assessing the establishment of sound risk management system of the Company and the completeness and effectiveness of its implementation on a regular basis in accordance with the requirements in relation to corporate risk management under Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules. The Audit Committee is also responsible for reviewing the quarterly, interim and annual financial statements, connected transactions, the appointment of and remuneration for auditors. The Audit Committee currently comprises Dr. Xu Jianxin, Dr. Xi Juntong, Dr. Liu Yunhong, independent non-executive Directors, and Mr. Shao Jun, a non-executive Director, and is chaired by Dr. Xu Jianxin, an independent non-executive Director. Ms. Yao Minfang, a former member of the Audit Committee, resigned on 23 February 2024.

Ten meetings were held by the Audit Committee during the Reporting Period. At these meetings, the Audit Committee has reviewed and overseen the risk management of the Company, financial reporting procedures and internal control system, reported its results of review and made recommendations to the Board. The Audit Committee has also reviewed the quarterly, interim and annual financial reports of the Company, material connected transactions, continuing connected transactions and the appointment of and remuneration for auditors, discussed the audit plan and progress with auditors and listened to the report on the 2023 internal audit plan of the Company given by the internal audit department.

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

Name of Audit Committee Member	Actual attendance/ attendance required
Xu Jianxin (Chairman of the Committee)	10/10
Xi Juntong	10/10
Liu Yunhong	10/10
Yao Minfang	9/10

Nomination Committee

The nomination committee of the Board of the Company (the "Nomination Committee") is mainly responsible for reviewing and making recommendations to the Board and the general meeting of the Company on the selection of candidates as the Directors of the Company, the selection criteria and procedures. The Nomination Committee currently comprises Dr. Xi Juntong, Mr. Zhu Zhaokai and Dr. Xu Jianxin, and is chaired by Dr. Xi Juntong.

The Company has formulated the "Board Diversity Policy of Shanghai Electric Group Company Limited", which includes the requirements of compliance with relevant laws, regulations and the Articles of Association by candidates for Directors of the Company to ensure effective discussions at the Board and enable the Board to make scientific, prompt and careful decisions. The Nomination Committee will select the candidates for Directors based on objective criteria, which contain certain diversified factors, including but not limited to, gender, age, cultural and education background, locality, professional experience, skills, knowledge and terms of office of the candidates for Directors and other regulatory requirements; the degree of suitability of the professional background and skills of the candidates for Directors with the business features and future development requirements of the Company. As of the issuance date of this report, one of the eight members of the Board of the Company was women, accounting for 12.5%, and the gender diversity was well achieved.

One meeting was held by the Nomination Committee during the Reporting Period, at which candidate for executive Director of the Board were considered.

Attendance record of committee members at the meeting of the Nomination Committee during the Reporting Period

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

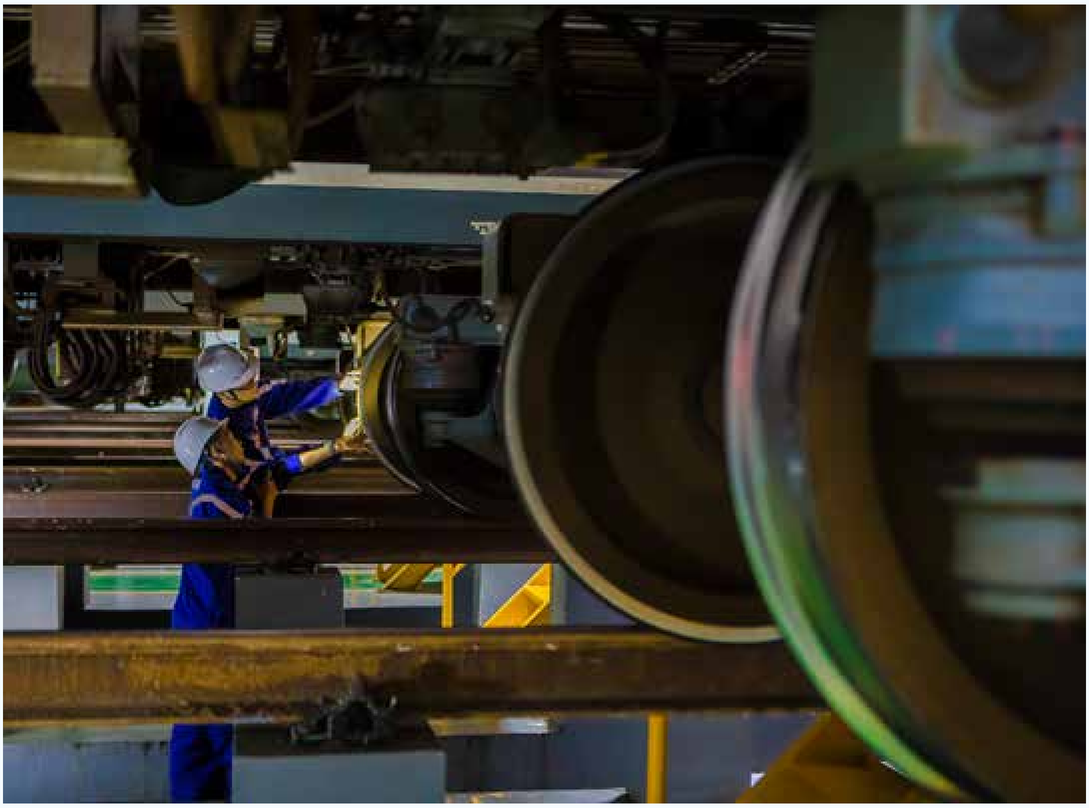
Remuneration Committee

The remuneration committee of the Board of the Company (the "Remuneration Committee") is mainly responsible for making recommendations to the Board regarding the formulation of a proper and transparent procedure for the overall remuneration policy and structure for Directors and senior management of the Company. The Remuneration Committee currently comprises Dr. Xi Juntong, Dr. Xu Jianxin and Dr. Liu Yunhong, and is chaired by Dr. Xi Juntong.

Two meetings were held by the Remuneration Committee during the Reporting Period, at which the issues considered were the remuneration proposal for the Directors, Supervisors and the senior management of the Company and proposal on professional managers' assessment and performance-based compensation. According to clause 11(b) of the Terms of Reference for the Remuneration Committee, the Remuneration Committee has been delegated to determine the specific remuneration packages of all executive Directors and senior management.

Attendance record of committee members at the meetings of the Remuneration Committee during the Reporting Period

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



Directors' and Auditors' Responsibilities for Accounts

The Directors of the Company acknowledge their responsibilities for the preparation of financial reports for each financial year, which shall give a true and fair view of the financial position, the results and cash flows of the Group for that financial year. In preparing the financial report for the year ended 31 December 2023, the Directors have selected and consistently applied suitable accounting policies, made judgements and estimates that are prudent and reasonable, and have prepared the financial report on a going concern basis. The Directors are responsible for keeping proper accounting records which reasonably and truthfully disclose the financial position of the Group at any time.

Supervisory Committee

The Supervisory Committee is a standing monitoring agency of the Company responsible for monitoring the Board and its members as well as senior management to avoid abuse of power that may harm the legitimate interests of shareholders, the Company and staff of the Company. The size and composition of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations in the PRC.

Attendance record of committee members at the meetings of the Supervisory Committee during the Reporting Period

Name of Supervisor	Actual attendance/ attendance required
Cai Xiaoqing (Chairman of the Supervisor Committee)	7/7
Han Quanzhi	7/7
Yuan Shengzhou	7/7

Senior Management

As at the date of this report, the Company has nine senior management members in total, namely Mr. Liu Ping, Mr. Dong Jianhua, Mr. Chen Ganjin, Mr. Gu Zhiqiang, Mr. Jin Xiaolong, Ms. Yang Hong, Mr. Zhou Zhiyan, Ms. Tong Liping and Ms. Fu Min. The details of their duties, biographical details and remuneration are set out in the section headed "Directors, Supervisors, Senior Management and Staff". Three members of the Company's senior management were women, accounting for 33.3% of the total number of senior management, and gender diversity has been well achieved.

Risk Management and Internal Controls

According to the related requirements set out in the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules, the Company has established comprehensive risk management and internal control systems, including a system with a proper structure and organization and a system with relevant standards and relevant management principles for risk management and internal controls, to continually implement for risk management and internal controls. The Company is of the view that such systems are basically effective and adequate. The intention of the establishment of such a risk management and internal control system is to enhance the management and operation of the Company as far as scientific approach for decision making proper compliance with governing rules and regulations as well as its effectiveness are concerned. The system should also help to increase the risk control capability and ensure the continuous, stable and healthy development of all kinds of businesses of the Company. However, this is only a reasonable rather than an absolute guarantee against material untruthful representation or losses, as the intention is to manage instead of eliminating the risk of not achieving the business targets.

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

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

During the Reporting Period, the Company continued to optimize its risk management and internal control systems, and improved and implemented the risk assessment, response and reporting mechanism of the Company. In 2023, the Company continuously enhanced the overall coordination of the Company's risk prevention and control work under the leadership of the risk prevention and control leadership team and working group to promote various risk prevention and control work in a steady and orderly manner. The Company insisted on conducting regular risk checks, implementing annual risk evaluation, strengthening prediction and analysis of trend and emerging risks, formulating countermeasures and prevention and control measures and implementing implementation of hierarchical classification to prevent new risks. Meanwhile, the Company attached importance to sum-up and reflection on historical risk events, and improved the internal control process by inferring other things from one fact, conducted regular evaluations of the effectiveness of the internal control system, and promoted the publicity and implementation of the Internal Control Manual (《內部控制手冊》) and the internal control processes in its subsidiaries, thus to ensure the normal operation and development of the Company.

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

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

According to the relevant rules, the Company appointed PricewaterhouseCoopers Zhong Tian LLP to conduct an audit on the effectiveness of the internal controls in relation to financial reporting of the Company for 2023, for which an internal control audit report of internal control opinions for the financial report that has maintained effective in all material aspects was issued.

The Company consistently adheres to the principle of honesty and integrity in business operation, adopts a zero-tolerance policy for any violations against business ethics and anti-corruption regulations. In order to detect corrupt practices in a timely manner, the Company has established various reporting channels, including telephone reporting and on-site reporting, to obtain clues from internal and external parties.

General Meetings

The General Meeting is the highest authority of the Company which performs its duties according to laws and makes decisions on major issues of the Company. Annual general meetings or extraordinary general meetings of the Company are direct communication channels between the Board and the shareholders of the Company. Therefore, the Company attaches great importance to general meetings and encourages all shareholders to attend and express their opinions at the meetings.

Shareholders may convene an extraordinary general meeting and make proposals on the meeting in accordance with Articles 87 and 64 of the Articles of Association. During the Reporting Period, the Company did not amend the Articles of Association, whose latest version was published on the websites of the Company and the Stock Exchange.

Communications with Shareholders

The Shareholders' Communication Policy sets out, among other things, the Company's means of communication with the Shareholders with the aim of ensuring that both individual and institutional Shareholders are given timely access to accurate, clear and balanced information to enable them to exercise their rights in an informed manner and to engage actively with the Company. The Board has reviewed the implementation of the Shareholders' Communication Policy during the year ended 31 December 2023. Having considered the active engagement by the Company with the Shareholders via the different means in accordance with the Policy, the Board is satisfied that the Shareholders' Communication Policy continues to be effective.

The Company releases its announcements, financial data and other relevant data on its website, which serves as a channel facilitating effective communication with investors. The shareholders may send any enquiry in writing to the Company's principal place of business in Hong Kong. The Company will properly handle all enquiries in time.

Company Secretary

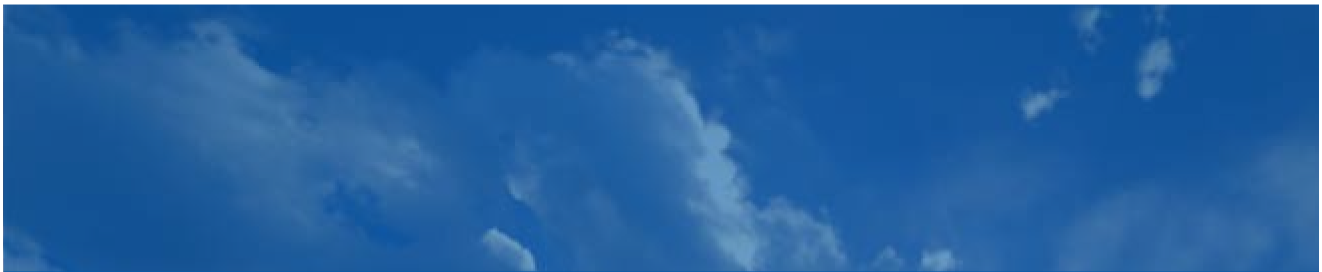
During the Reporting Period, Mr. Zhou Zhiyan and Ms. Leung Kwan Wai acted as joint company secretaries of the Company. Both Mr. Zhou Zhiyan and Ms. Leung Kwan Wai participated in the relevant training during the Reporting Period and the time for training was no less than 15 hours in total. Ms. Leung Kwan Wai's principal contact with the Company is Mr. Zhou Zhiyan.

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

Disclosure of Information and Investor Relations

The Company recognizes the importance of good communications with its investors. The Office of the Board, the department which has duties covering investor relations, has arranged interviews, site visits and reverse roadshows for investors from time to time. The team has also actively attended investors' forums to help investors gain a better understanding of the Company's operating results as well as its strategies and plans for future development. The Company will continue to make great efforts in investor relations work to further enhance its transparency.

Summary of General Meetings



Session of meeting	Date of meeting	Designated websites for publication of resolution(s)	Disclosure date of resolution(s)
2022 annual general meeting	28 June 2023	www.hkexnews.hk www.sse.com.cn	28 June 2023 29 June 2023
2023 first extraordinary general meeting	27 July 2023	www.hkexnews.hk www.sse.com.cn	27 July 2023 28 July 2023

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2023 on pages 93 to 103.

Principal Business

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

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

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

The integration services segment: providing energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit, etc.; providing industrial internet services; providing financial services, covering financing leases, factoring, asset management, insurance brokerage, etc.; providing park and property management services mainly based on industrial real estate, etc.

Business Review

During the Reporting Period, the Company achieved the total revenue of RMB114,797 million, representing a year-on-year decrease of 2.4%. The net profits attributable to owners of the Company for 2023 was RMB 285 million, and net losses attributable to owners of the Company for the corresponding period of last year was RMB3,566 million.

The basic profit per share of the Company for 2023 was RMB0.018 yuan, basic loss per share for the corresponding period of last year was RMB0.228 yuan. The average return on net assets was a profit of 0.53% and last year was a loss of 6.31%. The Board of the Company proposed no final dividend for the year 2023.

During the Reporting Period, the energy equipment segment achieved operating revenue of RMB58,648 million, representing an increase of 4.55% over the corresponding period of the previous year, of which, the coal power business recorded an increase in revenue as compared with the corresponding period of the previous year due to the rebound of the industry, while the revenue of the wind power equipment business decreased year-on-year during the Reporting Period, mainly due to the impact of the industry; the gross profit margin of the energy equipment segment was 19.66% during the Reporting Period, representing an increase of 1.61 percentage points as compared with the corresponding period of the previous year, mainly due to the optimisation of the business structure of the energy equipment segment.

During the Reporting Period, the industrial equipment segment achieved operating revenue of RMB40,402 million, basically unchanged from the corresponding period of the previous year. The gross profit margin of the industrial equipment segment during the Reporting Period was 16.76%, representing an increase of 1.18 percentage points over the corresponding period of the previous year, mainly due to the increase in the gross profit margin resulting from the cost reduction and efficiency enhancement campaign for the elevator business during the Reporting Period.

During the Reporting Period, the integration services segment achieved operating revenue of RMB21,387 million, a decrease of 19.92% as compared with the corresponding period of the previous year, which was mainly attributable to the Company's optimisation of its business structure and changes in the scope of consolidation, which resulted in the decrease in revenue from sales of engineering projects as compared with that of the corresponding period of the previous year; the gross profit margin of the integration services segment for the Reporting Period was 13.65%, representing an increase of 5.29 percentage points as compared with that of the corresponding period of the previous year, which was mainly due to changes in the structure of overseas projects.

Report of the Directors

Analysis of Principal Business

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

Unit: 100 million; Currency: RMB

Items	For the year ended 31 December 2023	For the year ended 31 December 2022	Percentage of change (%)
Operating revenue	1,142.18	1,169.86	(2.37)
Operating cost	931.17	984.97	(5.46)
Selling and distribution expenses	42.10	38.53	9.27
General and administrative expenses	79.95	81.68	(2.12)
Financial expenses	10.82	13.01	(16.83)
Research and development expenditures	53.69	50.28	6.78
Net cash flows generated from operating activities	77.97	84.83	(8.09)
Net cash flows generated from investing activities	3.52	(73.17)	N/A
Net cash flows generated from financing activities	(137.26)	(12.57)	N/A

Reasons for the changes in net cash flows from investing activities: Mainly attributable to the increase in cash recovered from the disposal of interbank certificates of deposit held by Shanghai Electric Group Finance Company Limited ("Finance Company"), a subsidiary of the Company, as compared with the corresponding period of the previous year.

Reasons for the change in net cash flows from financing activities: During the Reporting Period, the Company acquired 48.18% equity interest held by ICBC Financial Asset Investment Co., Ltd.* （工銀金融資產投資有限公司）, BOCOM Financial Asset Investment Co., Ltd.* (交銀金融資產投資有限公司) and BOC Financial Asset Investment Co., Ltd.* (中銀金融資產投資有限公司) in Shanghai Electric Industrial Co., Ltd., a subsidiary of the Company, 39.42% of the equity interest of Shanghai Electric Group Motor Factory Co., Ltd., 48.88% of the equity interest of Shanghai Electromechanical Design Institute Co., Ltd., and 42.20% of the equity interest of Shanghai Electric Nuclear Power Equipment Co., Ltd. The total equity transfer price was RMB 10.004 billion, and the funds came from merger and acquisition loans and self-owned funds.

Analysis of Revenue and Cost

During the Reporting Period, the Company achieved the total revenue of RMB114,797 million, representing a year-on-year decrease of 2.4%. The net profits attributable to owners of the Company for 2023 was RMB285 million, and net losses attributable to owners of the Company for the corresponding period of last year was RMB3,566 million.

Analysis of the principal businesses by segment and geographic location

Unit: 100 million Currency: RMB

Principal businesses by segment						
By segment	Revenue	Operating costs	Gross profit margin (%)	YoY change in revenue (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)
Energy equipment	586.48	471.15	19.66	4.55	2.49	An increase of 1.61 percentage points
Industrial equipment	404.02	336.30	16.76	(0.32)	(1.71)	An increase of 1.18 percentage points
Integration Services	213.87	184.67	13.65	(19.92)	(24.54)	An increase of 5.29 percentage points
Principal businesses by geographic location						
Geographic location	Revenue	Operating costs	Gross profit margin (%)	YoY change in revenue (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)
Mainland China	946.95	764.43	19.27	(4.55)	(4.79)	An increase of 0.2 percentage point
Other countries/ jurisdiction	201.02	167.62	16.62	9.14	(7.95)	An increase of 15.48 percentage points

Explanatory note:
The increase in gross profit margin in other countries and regions as compared to the previous period was mainly due to changes in the structure of overseas projects.

Major customers

The sales revenue from the five largest customers of the Company was RMB8,737 million in aggregate for the Reporting Period, accounting for 7.61% of the total sales revenue. Among the top five customers, the sales of related parties were RMB1,408 million, accounting for 1.23% of the total annual sales.

Major suppliers

The purchases from the five largest suppliers of the Company amounted to RMB5,552 million in aggregate for the Reporting Period, accounting for 5.50% of the total purchases. Among the top five suppliers, the purchases of related parties were RMB2,134 million, accounting for 2.11% of the total annual purchases.

Analysis of costs

Unit: 100 million; Currency: RMB

By segment	Cost component	For the year ended 31 December 2023	Proportion in the total costs (%)	For the year ended 31 December 2022	Proportion in the total costs (%)	Percentage of change (%)
Energy Equipment	Raw materials	412.45	87.54	401.97	87.44	2.61
	Labour costs	33.31	7.07	31.58	6.87	5.48
	Other fees	25.39	5.39	26.16	5.69	(2.94)
	Total	**471.15**	**100.00**	**459.71**	**100.00**	**2.49**
Industrial Equipment	Raw materials	277.28	82.45	281.60	82.30	(1.53)
	Labour costs	29.26	8.70	29.08	8.50	0.62
	Other fees	29.76	8.85	31.48	9.20	(5.46)
	Total	**336.30**	**100.00**	**342.16**	**100.00**	**(1.71)**
Integration Services	Equipment	119.76	64.85	158.47	64.75	(24.43)
	Construction and installation	37.93	20.54	49.90	20.39	(23.99)
	Other fees	26.98	14.61	36.37	14.86	(25.82)
	Total	**184.67**	**100.00**	**244.74**	**100.00**	**(24.54)**

Explanatory note:
The integration services segments of the Company optimized industrial structure, and as impacted by the change in the scope of consolidation, revenue from sales of projects was decreased as compared with the corresponding period of the previous year, which resulted in a year-on-year decrease in the amount of costs.

Report of the Directors

R&D Expenditure

R&D Expenditure

	Unit: 100 million; Currency: RMB
R&D expenditure expensed in the Reporting Period	53.69
R&D expenditure capitalized in the Reporting Period	0.12
Total R&D expenditure	53.81
Percentage of total R&D expenditure to operating revenue (%)	4.71
Percentage of R&D expenditure capitalized (%)	0.22

Number of R&D staff	3,885
Percentage of R&D staff to total staff (%)	9.21

R&D Staff Education Level	Number of persons
Doctor	115
Postgraduate	1,235
Undergraduate	2,330
Tertiary education	185
Secondary education and below	20

R&D Staff Age Level	Number of persons
Below 30 years old (not including 30 years old)	782
30 years old-40 years old (including 30 years old, not including 40 years old)	1,714
40 years old-50 years old (including 40 years old, not including 50 years old)	997
50 years old-60 years old (including 50 years old, not including 60 years old)	328
Above 60 years old	64

During the Reporting Period, the technical strength of core industries of Shanghai Electric continued to improve. The research and development of the Company's main business segments are as follows:

Energy Equipment

In the field of nuclear power, through in-depth cooperation with industry-leading companies such as the Chinese Academy of Sciences, ENN Group, and Energy Singularity in the layout of key equipment for fusion reactors, we have completed the shipping of main system of world's first fully high-temperature superconducting tokamak device HH-70 and the delivery of the vacuum chamber of the world's first EXL-50U compact fusion device. As the general contractor for the National "Twelfth Five-Year Plan" major scientific and technological facilities project, the CiADS (China initiative Accelerator Driven System) program, we have successfully developed prototypes of the main equipment including main container, main heat exchanger, main internal structure equipment and auxiliary system. This marks our achievement of a two-way breakthrough in the performance of lead-based reactor main equipment and system integration EPC projects, and has contributed to the construction of the world's first megawatt-level accelerator-driven transmutation research device that achieves high-power coupling operation. In addition, we have successfully developed a 9-cell superconducting high-frequency cavity with high quality factor, and passed the vertical test at the Shanghai Synchrotron Radiation Facility. Our developed deep drawing process, electron beam welding process, surface treatment process, and inspection and testing process have been fully verified, which will pave the way for the mass production of superconducting high-frequency cavity products in the future. We have become the first domestic manufacturer with large-scale production capabilities of superconducting cavity, providing guarantee for the construction of Shanghai large research infrastructures - the Hard X-ray Free Electron Laser (SHINE).

In the field of coal-fired power, upon the commissioning of the No. 2 unit of the CHN Energy Taishan Power Plant built by us after parameter upgrade and renovation, the coal consumption was reduced from 314.52 g/kWh to 288.58 g/kWh. This marks the successful completion of the first domestic 600MW subcritical wet cooling unit parameter upgrade and innovation technology research and engineering demonstration project, achieving technical innovation of subcritical units reaching ultra-supercritical temperature parameters through parameter upgrades for the turbine and ancillary equipment, boiler and ancillary equipment, and deep peak regulation for the boiler.

In the field of gas power, together with Datang Haikou Power Plant, we have jointly completed a series of tasks, including burners upgrading and transforming, monitoring and controlling system optimisation, pry block for hydrogen blending and on-site installation and commissioning, successfully achieving independent upgrading and demonstration verification of hydrogen blending technology for the large F heavy-duty gas turbine in operation, marking a major technological breakthrough for Shanghai Electric in the field of heavy-duty gas turbine hydrogen combustion from "zero to one".

In the field of energy storage, our self-developed and designed Long Storage No. 1 500kW/3000kWh prefabricated energy storage module is a high-safety and high-power long-term energy storage system positioned as a supporting device for the wind and solar power base of the new power system. The maximum energy storage time is 6 hours, and the DC side efficiency is more than 80%. The module power level and efficiency indicators are at the leading level at home and abroad. Our developed centralized energy storage inverter EPCS 2000-D product has also passed third-party type testing. It uses liquid cooling technology and has a high protection rating of IP65, making it suitable for harsh environments and more reliable, able to withstand high winds, humidity, and salt spray, and can adapt to the large-scale energy storage market in the "Three North" regions.

In the field of hydrogen energy, our independently developed 2000Nm^3/h alkaline electrolyzer has successfully rolled off the line. The maximum current density of this electrolyzer has increased to 3500A/m^2, and the production cost of hydrogen per standard cubic meter has decreased by 6% year on year, providing a cost-effective solution for large-scale hydrogen production for wind and solar power plants and green chemical production. Our independently developed 100Nm^3/h differential pressure PEM electrolyzer has also successfully rolled off the line and has been tested and verified in Shanghai Electric's self-built integrated green hydrogen production, storage, and utilization demonstration project.

In the field of wind power, during the Reporting Period, we released a new generation of Haishen Platform 16+MW all-sea platform units, which were the world's largest single-unit capacity and largest wind turbine diameter units in the awarded bidding at that time. During the Reporting Period, the world's first floating wind, solar, and fishery integration project, "Guo Neng Gong Xiang Hao (國能共享號)", for which we provided wind power generation equipment and towers, was completed. This project is the world's first integrated design project of deep-sea floating wind power and marine ranching and aquaculture, achieving the development goals of intensive sea use and cross-industry integration.

In the field of photovoltaics, our efficient N-type double glass modules have been successfully produced. This product applies ultra-thin silicon wafer technology, multiple main gate technology, and lower temperature coefficient, and has a double-sided rate of up to 95%. It has successfully passed TÜV South Germany series testing and obtained IEC new standard certification, fully verifying its performance and reliability.

Industrial Equipment

In the field of elevator, we have officially released the LNK intelligent elevator digital solution. LNK was digital solution of elevator which was independently developed by SMEC. LNK integrates 9 categories of digital products from four perspectives: intelligent management, intelligent riding, intelligent interconnection, and intelligent services, through a high-security, real-time, and reliable cloud computing technology platform that has passed the level 3 certification for information security, which will benefit elevator management, passengers, government platforms, and maintenance service providers.

In the field of industrial basic parts, we have successfully completed the delivery of multi-stage compressor blades of the first domestically produced 300-megawatt F-class heavy-duty gas turbine in China, achieving localization breakthroughs. Our independently developed subway type A vehicle axle box bearings and traction motor insulation bearings have successfully completed passenger operations on Line 11 of the Shenzhen Metro, breaking through key technologies in the design and manufacture of precision rail transit vehicle running bearings, breaking the monopoly of foreign bearings, and laying a good foundation for achieving further localization and mass application of rail transit bearings.

In the field of automation equipment, the first batch of 21700 cylindrical winding integrated machines exclusively supplied by Shenzhen Yinghe Technology Co., Ltd. ("Yinghe Technology") has been delivered. This equipment is not only compatible with the negative electrode and diaphragm packaging process, but also at the cutting edge of global production efficiency.

Integration Services

In the field of smart energy management, relying on our source-network-load-storage energy technology and industrial Internet digital technology, we actively developed software related to carbon peaking and carbon neutrality business. With carbon control as the goal and energy control as the means, we built Shanghai Electric Energy Carbon Smart Management Platform V1.0, which is oriented to green and low-carbon development needs in industrial fields such as energy conservation, cost reduction, carbon reduction, carbon accounting, carbon compliance and carbon footprint, providing a one-stop digital solution.

In the field of solid waste treatment, the comprehensive utilization technology of full component resource of county-level household waste developed by Shanghai Institute of Mechanical and Electrical Design and Research Co., Ltd. has been successfully applied in the rural household waste resource utilization project in Huaiji County, Guangdong Province. This technology forms the coupling and cogeneration of various resources and energy, such as waste metal, plastic particles, nutrient soil, washed sand, RDF as well as electricity and heat energy. Its overall resource utilization rate is at the leading level in China, and the emission indicators of resource products and factory pollutants meet relevant standards.

Analysis of Assets and Liabilities

Unit: 100 million; Currency: RMB

Items	By the end of the current period	Proportion to total assets by the end of the current period (%)	By the end of the preceding period	Proportion to total assets by the end of the preceding period (%)	Percentage of change in amount compared with the end of the preceding period (%)	Explanation
Cash and cash equivalents	301.65	10.65	263.45	9.15	14.50	
Accounts receivable	404.78	14.29	382.80	13.29	5.74	
Inventories	324.24	11.45	308.72	10.72	5.03	
Contract assets	219.13	7.74	218.02	7.57	0.51	
Long-term equity investments	110.01	3.88	111.84	3.88	(1.64)	
Fixed assets	204.27	7.21	202.82	7.04	0.71	
Construction in progress	19.34	0.68	34.28	1.19	(43.58)	Mainly attributable to the decrease in the transfer of construction in progress to fixed assets during the period.
Short-term borrowings	82.72	2.92	86.61	3.01	(4.49)	
Contract liabilities	442.07	15.61	387.43	13.45	14.10	
Long-term borrowings	308.94	10.91	216.48	7.52	42.71	Mainly due to the increase in M&A borrowings for acquisition of the minority interest of certain subsidiaries.

Analysis of Operational Information by Industry

Shanghai Electric is one of the largest comprehensive equipment manufacturing enterprise groups in China, and the specific industry operating information of its main business is as follows:

Energy Equipment

In terms of nuclear energy, the domestic nuclear power industry is ushering into an important period with strategic opportunities alongside with the strategic goal on peak carbon dioxide emissions and carbon neutrality. The government work report issued at the beginning of 2021 put forward that the government shall "take active and well-ordered steps to develop nuclear energy on the basis of ensuring its safe use", which embodies a great prospect for the industry. In March 2022, the National Development and Reform Commission and the National Energy Administration announced the 14th Five-Year Plan for Modern Energy Systems (《「十四五」現代能源體系規劃》), which states that "on the premise of securing safety, we will actively and orderly promote the construction of coastal nuclear power projects, by maintaining a steady pace of construction and properly allocate additional coastal nuclear power projects, conduct integrated nuclear energy demonstration projects, actively promote the demonstration projects of advanced reactor types such as high-temperature gas-cooled reactors, fast reactors, modular small reactors and offshore floating reactors, and promote the integrated use of nuclear energy in areas such as clean heating, industrial heating and seawater desalination". Therefore, during the 14th Five-Year Plan period, the positioning of nuclear energy in China's clean, low-carbon, safe, and efficient modern energy system will be clearer, and its role will be more prominent. The installed capacity of nuclear power is expected to further expand, and the construction of nuclear power units will continue to be at a high level.

In terms of coal-fired power, under the background of the strategic goals of peak carbon dioxide emissions and carbon neutrality, China has been implementing a comprehensive "three reforms linkages" (三改聯動) plan of coal-fired power generation stations, which includes energy-saving and carbon reduction transformation, flexibility transformation and heating supply transformation. According to the Implementation Plan of Transformation and Upgrading of National Coal-fired Power Generating Units (《全國煤電機組改造升級實施方案》), during the "14th Five-Year Plan" period, the scale of energy-saving and carbon reduction transformation of coal-fired power unit will be no less than 350 million kW, the scale of heating supply transformation of coal-fired power unit will strive to reach 50 million kW, while the scale of flexibility transformation of coal-fired power unit will reach 200 million kW. In order to adapt to the new situation of coal-fired power transformation to a combination of basic guarantee and system-adjustable power sources, and to promote the transformation of coal-fired power business development models, in November 2023, the National Development and Reform Commission and the National Energy Administration jointly issued the "Notice on Establishing a Coal-fired Power Capacity Pricing Mechanism", which decided to establish a coal-fired power capacity pricing mechanism starting in 2024 and implement a two-part pricing policy for coal-fired power. The capacity pricing mechanism recognizes the peak modulation value of coal-fired power in the form of electricity price compensation, which has a positive incentive effect on the enthusiasm for investment and construction of coal-fired power.

In terms of wind power, the National Development and Reform Commission and the National Energy Administration issued the Implementation Plan for Promoting High-Quality Development of New Energy in the New Era (《關於促進新時代新能源高質量發展的實施方案》) in May 2022, proposing the goal of reaching a total installed capacity of over 1.2 billion kW of wind power and solar power by

2030. According to the statistics of the National Energy Administration, in 2023, the cumulative installed capacity of wind power reached 441 million kW, a year-on-year increase of 20.7%; the newly installed capacity of wind power reached 75.9 million kW, a year-on-year increase of 102%. In June 2023, the National Energy Administration issued the "Wind Farm Transformation and Upgrade and Retirement Management Measures", encouraging the transformation and upgrade of wind farms that have been connected to the grid for more than 15 years or have a single-unit capacity of less than 1.5MW. The official implementation of the measures will accelerate the transformation of old wind turbines.

In terms of power grid, under the influence of 5G, Internet of Things and other advanced technologies, China's power industry has come into a new era of transformation and upgrading. In April 2023, the National Energy Administration formulated the "Guiding Opinions on Energy Work in 2023", which emphasized the need to accelerate the construction of smart distribution networks and active distribution networks, and improve the flexibility to accept new energy and the carrying capacity of diverse loads. With the commencement of construction of major projects such as West-to-East Power Transmission, North-South Mutual Power Supply, Cross-regional Networking and Smart Grid, and the new policies of new urbanization construction, investments in rail transit, grid connection of new energy and other fields during the 14th Five-Year Plan period, the power transmission and distribution equipment industry will embrace new development opportunities.

Industrial Equipment

There are more than 10 million elevators in use in China currently, of which the proportion of old elevators with an age over 15 years has been increasing. Due to the influence of the real estate market, the growth rate of demand for complete machine of elevator will slow down in the future, but the growth rate of elevator for old building renewal and installation, household elevator and other businesses will accelerate, and the elevator industry will still maintain a trend of steady growth in general. Due to overcapacity in the industry, competition in the elevator industry will become more intense, and the competition in the industry will show a trend of integration towards large enterprises. The installation and maintenance resources of elevators have become one of the strategic resources for enterprises. The promulgation and implementation of the Special Equipment Safety Law will have a significant and far-reaching impact on the installation and maintenance business of the elevator industry, creating new strategic opportunities and challenges for elevator enterprises. Especially with the gradual improvement of the market environment for existing elevators in use, the scale of maintenance, repair and renovation services is expanding, and market share will be concentrated in elevator manufacturing enterprises.

Integration Services

Focusing on the national "Belt and Road" Initiative, we regard more than 50 countries and regions involved in the "Belt and Road" Initiative as key markets of engineering projects. We have sped up the construction of sales and project supporting outlets around the global market. At present, we have over twenty overseas branches in U.K., Japan, Australia, South Africa, Mexico and Panama, etc., and we will keep actively promoting construction of overseas outlets to achieve multi-regional sales and projects supporting capacity. We are exploring businesses of both centralized and distributed new energy simultaneously under the guidance of new energy resource development, and actively promote the integration of industry and finance as well.

Analysis on Investments

Significant Equity Investments

On 29 March 2023, the Board considered and approved the relevant resolution, pursuant to which, the Company proposed to enter into the Agreements on Equity Transfer with ICBC Financial Assets Investment Co., Ltd., BOCOM Financial Asset Investment Company Limited and BOC Financial Asset Investment Co., Ltd. to acquire the 48.18% equity interests in Shanghai Electric Industrial Investment Co., Ltd., 39.42% equity interests in Shanghai Electric Group Shanghai Machinery Co., Ltd., 48.88% equity interests in Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd. and 42.20% equity interests in Shanghai Electric Nuclear Power Equipment Corporation Ltd. The total equity transfer price was RMB10.004 billion. As of the date of this report, the above equity transfers have been completed.

Equity Interests In Other Listed Companies Held By The Company

Unit: '000; Currency: RMB

Stock Code	Stock abbreviation	Initial investment amount	Source of Funds	Carrying amount as at the beginning of the period	Gain or loss from the change of fair value during the period	The amount sold in the current period	The investment income for the period	Carrying amount as at the end of the period	Classification in accounts
600642	Shenergy	2,800	Own funds	14,866	2,511	-	-	17,377	Other non-current financial assets
600633	Zhejiang Daily Digital Culture	7,462	Own funds	35,892	12,577	-	351	48,469	Other non-current financial assets
000501	Wu Han Department Store Group Co., Ltd.	353	Own funds	2,172	(520)	-	10	1,652	Other non-current financial assets
600665	Tande Co., Ltd.	1,400	Own funds	2,922	71	-	94	2,993	Other non-current financial assets
601229	Bank of Shanghai	1,620	Own funds	28,702	291	-	1,300	28,993	Other non-current financial assets
HK00020	SenseTime -w	323,724	Own funds	280,419	(115,682)	(29,761)	9,459	134,976	Other non-current financial assets
HK09863	LeapMotor	507,151	Own funds	935,006	339,910	(405,097)	9,159	884,488	Other non-current financial assets
600515	Hainan Airport	8,475	Debt to equity swap	9,392	(2,442)	-	-	6,950	Trading financial assets
Total		852,985		1,309,371	236,716	(434,858)	20,373	1,125,898	

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

Industry Competition Landscape and Development Trend

Since the 18th National Congress, under the scientific guidance of the new energy security strategy, China has vigorously developed non-fossil energy, actively promoted the clean and efficient development and utilization of fossil energy, significantly improved energy production and supply capacity, and transformed the energy production structure from primarily coal to a diversified mix, accelerating the low-carbon transition. According to data from the China Electricity Council, by the end of 2023, the total installed capacity of power generation in China reached 2.92 billion kW, a year-on-year increase of 13.9%; per capita installed capacity of power generation reached 2.1 kW per person for the first time in 2023, after breaking through 1 kW per person at the end of 2014. In 2023, the installed capacity of non-fossil energy power generation surpassed that of coal-fired power generation for the first time, accounting for more than 50% of the total installed capacity, and the proportion of coal-fired power generation dropped below 40% for the first time.

In recent years, China has successively released multiple energy development-related documents to guide the healthy and orderly development of non-fossil energy. The "14th Five-Year Plan for Modern Energy System" emphasizes the importance of prioritizing the environment and promoting green development by expanding the clean energy industry, implementing renewable energy substitution actions, constructing new power system, promoting the gradual increase of the proportion of new energy, and optimizing the combination of coal and new energy. The "Opinions on Improving the System, Mechanism, and Policy Measures for Green and Low-Carbon Transformation of Energy" proposes to reduce and control coal consumption in an orderly manner while ensuring the security and supply of electricity, promote the transformation of coal-fired power to a combination of basic guarantee and system-adjustable power sources, and strengthen the overall coordination between coal-fired power generation, non-fossil energy power generation, natural gas power generation and energy storage according to the needs of safe and stable operation and supply of the power system. The "Implementation Plan for Promoting High-Quality Development of New Energy in the New Era" requires the innovation of new energy development and utilization models, acceleration of the construction of new power system that can adapt to the gradual increase of the proportion of new energy, and setting a target of achieving a total installed capacity of wind power and solar power of more than 1.2 billion kW by 2030.

Looking ahead to 2035, the "14th Five-Year Plan for Modern Energy System" proposes that China's energy security and guarantee capacity will be significantly improved, green production and consumption patterns will be widely established, the proportion of non-fossil energy consumption will further increase from the 25% target in 2030, renewable energy power generation will become the main source of electricity, the construction of new power system will achieve substantial results, and total carbon emissions will maintain stable with declines after peaking.

Development Strategy

Shanghai Electric adheres to the main working tone of "focusing on national strategy, seeking progress while maintaining stability, breakthroughs in key areas, and achieving high-quality development", adopts the concept of "open collaboration, win-win cooperation", and aims at the goal of world-class equipment enterprise featured "high-end, green, and intelligent". The Company will focus on promoting the linkage of "smart energy and intelligent manufacturing", the two-wheel drivers of "industrial intelligentization and service industrialization" and the interaction of "energy internet and industrial internet", drive the cultivation and development of new driving forces with technology innovation and unswervingly promote the Group to achieve high-quality development.

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

Under the background of "carbon peaking and carbon neutrality" strategy, the Group will give full play to its advantages in efficient and clean energy equipment, vigorously layout the core equipment industry of "wind power, solar power, energy storage, hydrogen power". The Company will promote resource development and coordinate with its excellent equipment manufacturing, and help to realize the optimal combination of traditional energy and new energy by relying on technological innovation and institutional innovation, so as to contribute to the construction of new power system with new energy as the main body. At the same time, the Company will actively cultivate emerging equipment industries such as new energy vehicle parts, automation equipment, and industrial software, and vigorously promote the transformation and development of industrial intelligence, greenization, integration, and collaboration.

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

Operation Plans

In 2024, we will adhere to the main working principle of "focusing on national strategy, seeking progress while maintaining stability, breakthroughs in key areas, and achieving high-quality development". Through strengthening Party building, planning for development, optimizing management, focusing on technology, and building team, we will strive to enhance our industrial development capabilities, overall profitability, technological innovation capabilities, reform and innovation capabilities, and sustainable development capabilities. The Company will focus on the following tasks:

Focus on the Direction to Guide High-quality Development with High-quality Party Building

We will deeply study and implement Xi Jinping's Thoughts on Socialism with Chinese Characteristics for a New Era, actively implement the requirements of "taking technological innovation as the guide, strengthening key core technology research, promoting the transformation and upgrading of traditional industries, accelerating the cultivation of world-class high-end industry clusters and the accelerating construction of a modern industrial system", and actively integrate into the mission assigned to Shanghai by the central government. We will promote the in-depth integration of Party building and business, improve the Company's market expansion capabilities, and promote the transformation and upgrading of traditional industries and the steady development of new industries and new tracks with high quality. We will gather strength for development around industrial chains, innovation chains, supply chains and talent chains.

Position Ourselves in Line with National Strategies for Our Own Development

We will deeply implement new industrialization, national energy strategy, the Belt and Road Initiative, and the integration of the Yangtze River Delta, and strive to lead and take responsibility for major national projects. We will also aim to become a "chain leader" and demonstrate our contribution to serving national strategies and promoting high-quality development. We will grasp opportunities, focus on key industrial areas, and accelerate breakthroughs in core basic components, key technologies, and major equipment; rely on major projects to improve our technical and process capabilities and promote independent control of the entire industrial chain; in the traditional energy field, we will further improve quality, efficiency and transformation, and in the field of new energy, we will form new growth points through technological innovation, market expansion, and business model innovation.

Align Responsibility with Authority and Continuously Improve the Management and Control Model and Structure of the Group

We will aim to become a world-class equipment company, focus on achieving the Group's strategic goals, and according to the strategic management and control model, further promote institutional optimization, continuously improve management and control efficiency, strengthen development responsibility, unleash the vitality of industrial development, and promote and guarantee the high-quality development of the Group. We will build a more effective and dynamic management and control mechanism, unleash the driving force of industrial development, continuously improve the international management level of overseas assets, overseas capital, overseas talents, and overseas markets, and steadily build an internationally compatible resource layout. We will focus on investment in transformation and upgrading and the cultivation of emerging industries, strengthen investment efficiency evaluation, and guide the optimization of investment structure. We will orderly implement the transfer and exit of operating assets, increase efforts to withdraw from non-core, continuously loss-making enterprises, and clean up low-efficiency and ineffective assets.

Seek Truth and Pragmatism and Firmly Adhere to High-level Technological Self-reliance and Self-improvement

We will firmly pursue the path of high-level technological self-reliance and self-improvement. We will revitalize traditional industries and support their high-quality development; consolidate and enhance advantageous industries and promote strong chains and extend and supplement the chains; foster the growth of emerging industries and actively enter new application scenarios; pay attention to new technological changes and accelerate the layout of future industries and continuously. We will increase investment in scientific research, optimize the structure of scientific and technological investment, and focus on strategic emerging industries and major scientific and technological projects to improve the output-input ratio. We will strengthen the synergy and integration of internal scientific and technological resources, accelerate the cultivation of innovative enterprises, and form a reasonable layout of scientific and technological innovation. We will carry out comprehensive and in-depth cooperation with universities and scientific research institutes by relying on production, learning, and research. We will focus on advantageous industries and future industries, create high-energy-level scientific and technological innovation platforms, and support high-level development of original technology research and development. We will increase efforts to promote the transformation of scientific and technological achievements, reward research and development projects, and provide incentives for scientific and technological enterprises, and optimize the incentive mechanism for research and development personnel.

Establish a Sound System of Rewards and Punishments and Build a team of High-quality Cadres and Talents

We always adhere to the principle that "talent is the primary resource", and high-quality development can only be achieved with a strong talent team. We will deepen the construction of young cadres, emphasize that cadres should be ready to take a lower as well as a higher post; we will continuously innovate policies for scientific and technological talents, accelerate the establishment of a training system for scientific and technological talents, including experts, leaders in new fields, project leaders, and young talents; establish a talent evaluation system based on innovation value, ability, and contribution, improve the scientificity of the assessment system, and reflect the direction of high-quality operation, accelerated development and industrial competitiveness.

Potential Risks

Market Risks

Equipment manufacturing industry is highly correlated with national economic growth. Changes in macro economy, national policy amendment, infrastructure construction investment scale, urbanization progress and cyclical fluctuations in industry development may bring about impacts to the sustainable development of the Company. Meanwhile, the energy industry is at the critical point of the new and old system, and in the field of new energy such as wind power, market competition is everywhere and is becoming increasingly fierce, which brings the Company new opportunities and challenges.

In this regard, the Company will actively participate in the national energy transformation strategy of "building new power system with new energy as the main body" to achieve the transformation and upgrading of the manufacturing industry and improve the modernization level of energy industry. The Company will continue to pay attention to and regularly analyze the possible impact of global and domestic macroeconomic trends on the Company so as to develop responsive measures in a timely manner. Meanwhile, the Company will timely adjust management measures to raise its management efficiency, and continuously improve core competitiveness and actively develop its business model in an innovative manner to address all challenges from changes in the markets.

Raw Material Prices Fluctuation Risks

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

In this regard, the Company will strengthen the monitoring and management of the quality of economic operation, pay close

attention to changes in the operation quality, business structure and profitability of each business segment of the Group, continue to optimize the supply chain management system, further improve our cost control and pricing capabilities of purchase to actively control the risks on the Company from the fluctuations of raw material prices.

Exchange Rate Fluctuation Risks

The Company's businesses in power plant equipment, power plant engineering and power transmission and distribution engineering involve export business and their contract amounts are large and usually denominated in US dollars. In the process of production, the Company needs to purchase imported equipment and components and the contracts are also denominated in major foreign currencies, such as US dollars. As the international trade situation has become increasingly severe and the exchange rate of RMB is relatively volatile, the Company's export business may be exposed to the risk of profit and loss fluctuations due to factors such as changes in the exchange rate and capital repatriation.

In this regard, the Company will utilize more hedging instruments, improve the hedging mechanism on the fluctuation of the exchange rate, and increase its RMB settlement scope in cross-border trades, lock-in certain exchange rates to reduce exchange risks and exercise better control over the costs of its overseas projects to avoid the adverse effects from exchange rate fluctuations.

Overseas Business Risks

Due to the continuous impact of factors such as macroeconomic environment and geopolitical uncertainty, some of the Company's overseas engineering projects are under various pressures such as higher labor costs and rising raw material costs. The overseas inflation and fluctuation of the foreign exchange rate also exerted negative effects on the profitability of overseas engineering projects. Meanwhile, the environment for the expansion of overseas business is severe. The risks and uncertainties in the import and export business of the Company have increased, and the possibility of risks arising from changes in the political and economic landscape of the locations where the Company operates overseas businesses has increased.

In this regard, the Company will pay close attention to and study the policy and environment of overseas markets, strengthen management and risk control and improve the hedging mechanism on the fluctuation of the exchange rate. The Company will engage in relevant insurance policies to cover related risks of its businesses and employees to maximize the protection over the interests of the Company. Meanwhile, the Company will implement its "localization strategy" in the overseas market, seeking to establish long-term cooperative relationships with the local customers so as to build up good market reputation in overseas.

Source of Funding and Indebtedness

As at 31 December 2023, the Group had an aggregate amount of bank and other borrowings and bonds of RMB46,047 million (2022: RMB39,056 million), representing an increase of RMB6,991 million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB14,404 million, representing a decrease of RMB2,256 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB31,643 million, representing an increase of RMB9,247 million as compared with that of the beginning of the year. As at 31 December 2023, among the Group's bank and other borrowings:

(1) unsecured bank borrowings
borrowings denominated in US dollars amounted to USD337,000 thousand in total (2022: USD368,000 thousand), equivalent to RMB2,386,870 thousand (2022: RMB2,562,973 thousand);
borrowings denominated in Euros amounted to EUR456,619 thousand in total (2022: EUR431,090 thousand), equivalent to RMB3,588,658 thousand (2022: 3,199,941 thousand);
borrowings denominated in Hong Kong dollars amounted to HKD499,989 thousand in total (2022: HKD525,018 thousand), equivalent to RMB453,100 thousand (2022: RMB468,983 thousand).

(2) secured bank borrowings
borrowings denominated in US dollars amounted to USD4,502 thousand in total (2022: USD4,502 thousand), equivalent to RMB31,886 thousand (2022: RMB31,355 thousand);
borrowings denominated in Euros amounted to EUR4,202 thousand in total (2022: EUR5,180 thousand), equivalent to RMB33,021 thousand (2022: RMB38,451 thousand).

(3) guaranteed bank borrowings
borrowings denominated in US dollars amounted to USD122,876 thousand in total (2022: USD 142,961 thousand), equivalent to RMB799,469 thousand (2022: RMB995,667 thousand);
borrowings denominated in Euros amounted to EUR95,000 thousand in total (2022: EUR97,500 thousand), equivalent to RMB746,624 thousand (2022: RMB723,723 thousand).

All other unsecured bank borrowings are denominated in RMB.

As at 31 December 2023, gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank borrowings and other borrowings and bonds to the sum of total equity of the shareholders plus interest-bearing bank borrowings and other borrowings and bonds, was 41.59%, representing a increase of 8.51 percentage points as compared with 33.08% at the beginning of the year.

Pledge of Assets

As at 31 December 2023, the Group's bank deposits amounted to RMB1,379 million (2022: RMB927 million), receivable financing with a carrying amount of RMB12 million (2022: RMB583 million), notes receivable with a carrying amount of RMB4 million (2022: RM155 million) and certain property and equipment with a carrying amount of RMB1,922 million (2022: RMB1,975 million) were secured to banks to obtain bank borrowings or credit facilities. Part of the Group's bank borrowings was secured by the Group's long-term receivables, with a carrying amount of RMB2,351 million (2022: RMB1,801 million).

Contingent Liabilities

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

Capital Commitments

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

Use of Proceeds from Financing Activities and Capital Utilization Plan

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors including SEGC (the controlling shareholder of the Company) by way of non-public issuance. Proceeds from the non-public issuance were originally intended to be used to finance the projects including the Emerging Industrial Park Development Project at Gonghe New Road, the Innovative Industry Park Reformation Project at Beinei Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. According to the requirements such as adjustments by government authorities to the planning of the relevant areas where the proceeds-funded projects are located, in light of the Company's business development and the change in market conditions and on the principles of satisfying the requirements for use of raised proceeds and reducing the risks associated with the implementation of proceeds-funded projects, as considered and approved at the second meeting of the fifth session of the Board and approved at the 2018 third extraordinary general meeting, 2018 first A share class meeting and 2018 first H share class meeting, the proceeds would not be used to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. After consideration and approval of the fourth meeting of the fifth session of the Board and the approval of the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting, the Company applied part of the proceeds towards the completed acquisitions of the 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) and the 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司). After consideration and approval of the twentieth meeting of the fifth session of the Board and the approval of the 2019 second extraordinary general meeting, 2019 second A share class meeting and 2019 second H share class meeting, the Company adjusted the amount of raised funds used in the Innovative Industry Park Reformation Project at Beinei Road and used part of the raised funds in the project of Shanghai Electric Nantong Central Research Institute, and the remaining raised funds were used in permanent replenishment of working capital.

On 30 August 2023, at the eighty-second meeting of the fifth session of the Board of the Company, the Resolution on Utilization of the Remaining Proceeds from Projects Funded by Proceeds from the Non-public Issuance of Shares for Permanent Replenishment of Working Capital was reviewed and approved, agreeing to utilize the remaining proceeds raised from non-public issuance of shares amounting to RMB62 million (the actual amount of which was subject to the balance including the interest incurred on the date of transferring the funds out, the proceeds raised amounted to RMB48 million and the interest incurred thereon amounted to RMB14 million) for permanent replenishment of working capital, to meet the fund need of the daily production and operation of the Company.

Overall Use of Proceeds Raised from the Placement of A Share

Unit: 100 million Currency: RMB

Total amount of proceeds	30.00	Total proceeds invested during the year	2.43
Total proceeds used for other purposes instead of the scheduled one(s)	27.09	Total cumulative proceeds invested	29.85
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%		

Projects with investment commitment	Project changed or not (including those with partial changes, if any)	Total amount of proceeds with investment commitment	Total investment after adjustment	Amount invested during the year	Cumulative amount invested as at the end of the Reporting Period	Date of achieving the project's designed serviceable condition	Benefits generated during the year	Achieved the estimated goal or not
Emerging Industrial Park Development Project at Gonghe Xin Road	Yes	10.55	-	-	-	-	N/A	N/A
Innovative Industry Park Reformation Project at Beinei Road	Yes	2.26	0.66	0.09	0.39	2022	N/A	N/A
Technology Innovative Park Reformation Project at Jinshajiang Branch Road	Yes	3.28	-	-	-	-	N/A	N/A
Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road	Yes	11.66	-	-	-	-	N/A	N/A
Tax, surcharges and other expenses in relation to the restructuring	No	2.25	2.10	-	2.10	2018	N/A	N/A
Acquisition of 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	Yes	-	3.42	-	3.42	2019	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited	Yes	-	7.56	-	7.56	2019	N/A	N/A
Shanghai Electric Nantong Central Research Institute Project	Yes	-	7.26	1.86	7.05	2022	N/A	N/A
Permanent replenishment of working capital	Yes	-	8.85	-	8.85	2019	N/A	N/A
Permanent replenishment of working capital	Yes	-	-	0.48	0.48	2023	N/A	N/A
Total		30.00	29.85	2.43	29.85			

Changes in proceeds-funded project	As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018, the 2018 third extraordinary general meeting, 2018 first A share class meeting and 2018 first H share class meeting held on 10 December 2018, Shanghai Electric would no longer use any of the proceeds of RMB2,554 million to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5 million. As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018, the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting held on 6 May 2019, the Company proposed to use RMB342 million out of the proceeds to acquire the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) through its wholly-owned subsidiary Shanghai Electric Investment Company Limited ("SEI") from Orient Landscape Group Environmental Protection Limited Company (東方園林集團環保有限公司) ("Orient Landscape") and Taizhou Zongze Equity Investment Management LP (台州宗澤股權投資管理合夥企業(有限合夥)) ("Taizhou Zongze"), and use RMB756 million out of the proceeds to acquire the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司) from Orient Landscape and Taizhou Zongze. The Company had completed the abovementioned acquisitions through its wholly-owned subsidiary SEI and supplemented the self-owned funds early invested with the proceeds. As considered and approved at the twentieth meeting of the fifth session of the Board of the Company on 27 September 2019, and as considered and approved at the 2019 second extraordinary general meeting, 2019 second A share class meeting and the 2019 second H share class meeting on 14 November 2019, the Company proposed to change the amount of total investment and implementation mode of as well as the amount of proceeds earmarked for the Innovative Industry Park Reformation Project at Beinei Road. The total investment would be adjusted to RMB130 million; a project company would be jointly established by Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) ("SEC Property") and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司), to function as the implementation entity. The project company has a registered capital of RMB20 million, and is owned as to 60% by SEC Property through its contribution of self-financed funds in the amount of RMB12 million. Proceeds earmarked for the project was reduced from RMB226 million to RMB66 million, which would be provided to SEC Property by the Company through capital contribution, and in turn allocated to the project company by SEC Property by way of entrusted bank loans at an interest of 8% per annum for construction of Innovative Industry Park Reformation Project at Beinei Road. In addition, upon intensive research and deliberation, the Company proposed to appropriate RMB726 million from the RMB1,451 million previously set apart for proceeds-funded projects yet pending for confirmation to invest in the Shanghai Electric Nantong Central Research Institute Project, and use the remaining proceeds of RMB891 million (such funds comprise proceeds of RMB885 million and interest income therefrom of RMB6 million) to replenish working capital permanently.
Upfront investment in the project to be invested through fund raising and replacement of such investment with the proceeds	On 17 April 2018, the Proposal in Relation to the Replacement of the Self-Pooled Upfront Investment in Projects to be Invested Through Fund Raising with the Proceeds was considered and approved at the sixty-fourth meeting of the fourth session of the Board of the Company, which proposed to replace the self-pooled upfront investment in projects to be invested through fund raising with RMB88 million out of the proceeds. PricewaterhouseCoopers Zhong Tian LLP reviewed the upfront investment in relation to the fund raising through non-public issuance of A shares, and issued the PricewaterhouseCoopers Zhong Tian Te Shen Zi(2018) No.1870 document, i.e., the Report and Verification Report on Upfront Investment with Self-pooled Funds in the Project to be Invested Through Funds Raising. Guotai Junan Securities Co., Ltd. also expressed opinions on the Company's replacement of the self-pooled upfront investment in projects to be invested through fund raising with the proceeds.

Provisional replenishment of working capital with the idle proceeds from fund raising	On 22 January 2018, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at fifty-ninth meeting of the fourth session of the Board of the Company. It was approved that idle proceeds totaling not more than RMB2 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 23 January 2018. The Company returned all the above-mentioned proceeds totaling RMB2 billion for the replenishment of working capital to the special account for proceeds on 14 January 2019. On 18 January 2019, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at the sixth meeting of the fifth session of the Board of the Company. It was approved that idle proceeds totaling no more than RMB2.5 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 21 January 2019 and returned all the above-mentioned proceeds on 9 November 2019.
Reasons for not meeting the schedule	Advance has been made in the application for approval of the project positioning of the Innovative Industry Park Reformation Project at Beinei Road as per requirements under the "50 Guidelines for Cultural and Creative Industries" of Shanghai. Approval from relevant government departments has been obtained for the project positioning, and meeting minutes have been issued. It was originally planned to complete the construction of the project by the end of 2021. Affected by the external environment, and in order to meet the needs of contracted customers for supporting facilities such as water, electricity and gas, the project adjusted the layout plan of certain pipelines and adjusted the construction arrangement, resulting in the failure to complete the construction of the project by the end of 2021. The construction of the project was completed in late 2022 and the project reached its designed serviceable condition. In January 2023, the payment of various engineering costs of the project was completed and the utilization of proceeds was finished. The remaining proceeds of the project are mainly due to the project company's adjustment of investment intensity and scope in order to ensure the investment safety and reduce investment risks since the market rent affordability has decreased significantly as affected by the external market. Shanghai Electric Nantong Central Research Institute Project was originally scheduled to be completed by the end of June 2021. Affected by the supply chain and logistics issues, the construction of the project was delayed. The completion and filing and other relevant procedures for the project were completed in late 2022 and the project reached its designed serviceable condition. The proceeds were fully utilized by the end of August 2023.
Amount of and reason for balance of proceeds remained	On 30 August 2023, at the eighty-second meeting of the fifth session of the Board of the Company, the Resolution on Utilization of the Remaining Proceeds from Projects Funded by Proceeds from the Non-public Issuance of Shares for Permanent Replenishment of Working Capital was reviewed and approved, agreeing to utilize the remaining proceeds raised from non-public issuance of shares amounting to RMB62 million (the actual amount of which was subject to the balance including the interest incurred on the date of transferring the funds out, the proceeds raised amounted to RMB48 million and the interest incurred thereon amounted to RMB14 million) for permanent replenishment of working capital, to meet the fund need of the daily production and operation of the Company. The investment projects financed by the proceeds raised from the non-public issuance of shares of the Company have all been completed. In the course of implementation of projects, the Company, strictly following the relevant provisions on the utilization of the proceeds raised, on the premise of ensuring the quality of the projects, and based on the principles of reasonableness and economy, used the proceeds in a prudent manner, strictly controlled the costs and expenditures of the projects, and carried out reasonable scheduling and optimal allocation of various resources, thereby effectively lowering the implementation costs of the projects.

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

As audited by PricewaterhouseCoopers Zhong Tian LLP, the net profits of the Company for 2023 as shown on the financial statements of the Company (not consolidated) prepared in accordance with the PRC GAAP was RMB283,994 thousand. The undistributed profits and the dividends payable on ordinary shares amounted to RMB-1,226,536 thousand and RMB0 thousand at the beginning of 2023, respectively, and the distributable profits at the end of 2023 amounted to RMB-942,542 thousand.

Upon consideration by the Board of the Company, the proposed profit distribution plan for 2023 of the Company is no distribution of profit or conversion of capital reserves into share capital for the year 2023, which is subject to approval at the annual general meeting of the Company.

Final Dividend

The Board resolved that no final dividend will be distributed for the year ended 31 December 2023, which is subject to approval at the annual general meeting of the Company.

Closure of Register of Members

The Company will notify its shareholders on a later date about the date of the annual general meeting for the year ended 31 December 2023 as well as the corresponding arrangements for suspension of share transfer registration.

Contract of Significance

During the Reporting Period, save as disclosed in this report, neither the Company nor any of its subsidiaries had any contract of significance with its controlling shareholder or its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries (as defined in Appendix D2 to the Hong Kong Listing Rules).

Equity-linked Agreement

During the Reporting Period, no equity-linked agreements were entered into by the Company or subsisted during or at the end of the year that will or may result in the Company issuing shares, or requiring the Company to enter into any agreement that will or may result in the Company issuing shares.

Donations

The Group has earnestly performed its social responsibility. The total expenses of the Group for public welfare projects, charity donations, poverty alleviation donations and education sponsorship in 2023 amounted to RMB5.088 million approximately.

Compliance with Relevant Laws and Regulations

As a public company listed in both Mainland China and Hong Kong, the Company has formulated and continuously improved various rules and regulations in strict compliance with the requirements of relevant laws and regulations and normative documents of China and Hong Kong, including the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies in China, the Corporate Governance Code set out in Appendix C1 to Hong Kong Listing Rules as well as the provisions of the Articles of Association of the Company, to regulate the operations of the Company. The Company is committed to maintaining and improving the Company's good image in the market.

Environmental Policy and Performance of the Company

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

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

During the Reporting Period, the Company advocated energy conservation and consumption reduction, and reduced pollution to the environment arising from each stage of production process and activities through technological innovation. In addition, the Company provided its suppliers and customers with solutions on factory energy conservation, building energy conservation and air-conditioning energy conservation so as to make its humble contribution in promoting the completion of an efficient, visible and sustainable target for energy conservation for the society. In recent years, on the one hand, the Company has been actively promoting high-end technology and making efforts in developing clean energy and green technology, trying to deepen its cultivation in technology fields for high efficiency and clean energy, as well as ultra-low emission and near zero emission, and to build up an industrial base; and on the other hand, the Company has been actively developing the environment protection business with a focus on environment protection facilities, integrated treatment of pollutants, and comprehensive utilization of resources. So far, the Company has built up its capability in general contracting in respect of power plant environmental facilities, solid waste treatment, sewage treatment, biomass power generation, and environment protection engineering projects.

During the Reporting Period, the Company has complied with the "Comply or Explain" provision under the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Hong Kong Listing Rules. The Company will separately prepare the environmental, social and governance report for 2023, which will be separately published by the end of April 2024.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of the movements in the reserves of the Company and the Group during the year were set out in note 4(51), 4(52), 4(53) to the financial statements and the consolidated statement of changes in equity.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Company and the Group during the year were set out in note 4(22) to the financial statements.

Directors' Rights to Acquire Shares and Debentures

At no time during the year were rights to acquire benefits by means of an acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Sufficiency of Public Float

Based on publicly available information and to the best knowledge of the Directors, the Board confirms that the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this report.

Pre-emptive Rights Arrangement

Under the requirements of the PRC laws and the Articles of Association, the Company's shareholders have no preemptive rights.

Tax Relief and Exemption

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

Wu Lei

Chairman

Significant Events

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

Connected Transactions and Continuing Connected Transactions

According to the requirements of the Hong Kong Listing Rules, the connected transactions and continuing connected transactions between the Company and its subsidiaries (the "Group") and their connected persons for the year ended 31 December 2023 are disclosed in detail as follows:

Connected Transactions

Disposal of 100% Equity Interests in Xinji Company

On 14 March 2023, the Board considered and approved the relevant resolution, pursuant to which, the Company was granted approval to transfer the 100% equity interests it held in Shanghai Xinji Machine Tool Co., Ltd. ("Xinji Company") to SEGC, at a consideration of the appraisal value of the total shareholders' equity in Xinji Company of RMB686,915,804.11, which was subject to the final equity valuation result filed with state-owned assets authorities. As of the date of this report, the above equity transfer has been completed.

Continuing Connected Transactions

Continuing Connected Transactions with SEGC

Sales framework agreement

The Company entered into sales framework agreement with SEGC on 19 October 2022, pursuant to which the Group agrees to provide electrical engineering, mechanical products and other related services to SEGC and its subsidiaries and associates (the "Parent Group"). The approved annual caps of the relevant sales for the years ended 31 December 2023, 2024 and 2025 is RMB700,000,000, RMB700,000,000 and RMB700,000,000.

The above sales framework agreement was entered into in the ordinary course of business of the Group and is on normal commercial terms. The various types of products and services under the sales framework agreement shall be priced according to the following general principles in sequential order:

- where there is government (including local government) prescribed price, such price shall apply;
- where there is no such government prescribed price, the price shall fall within the band of government guidance price;
- where there is no such government guidance price, the price will be determined with reference to the selling price of the same or similar products and services between the Group and independent third party customers from time to time. In order to ensure that the selling prices are fair and reasonable, the Group will compare the price offered by the Parent Group against that between the Group and independent third party customers requiring the same or similar products and services. The Group will only sell to the Parent Group if they are not less favourable to the prices between the Group and independent third parties.

The term of the sales framework agreement is three years commencing on 1 January 2023, renewable at the option of the Company by giving three months' notice prior to the expiry of the agreement.

The actual sales to the Parent Group for the year ended 31 December 2023 was RMB448.40 million.

Purchase framework agreement

The Company entered into purchase framework agreement with SEGC on 19 October 2022, pursuant to which the Group agrees to purchase purchasing of certain component parts, such as automatic instruments, other mechanical equipment and raw materials from the Parent Group. The approved annual caps of the relevant purchases for the years ended 31 December 2023, 2024 and 2025 is RMB500,000,000, RMB500,000,000 and RMB500,000,000.

The above purchase framework agreement was entered into in the ordinary course of business of the Group and is on normal commercial terms. The various types of products and services under the purchase framework agreement shall be priced according to the following general principles in sequential order:

- where there is government (including local government) prescribed price, such price shall apply;
- where there is no such government prescribed price, the price shall fall within the band of government guidance price;
- where there is no such government guidance price, the price will be determined with reference to the prevailing market price for the same or similar products and services provided by independent third party vendors from time to time. In order to ensure that the prices are fair and reasonable and in line with the prevailing market, the Group will obtain quotations from independent third party vendors providing the same or similar products and services. Such quotations will be compared against the quotations from the Parent Group and the Group will only accept the Parent Group's quotation if they are not less favourable to the Group.

The term of the purchase framework agreement is three years commencing on 1 January 2023, renewable at the option of the Company by giving three months' notice prior to the expiry of the agreement.

The actual purchase from the Parent Group for the year ended 31 December 2023 was RMB240.90 million.

Provision of comprehensive services framework agreement

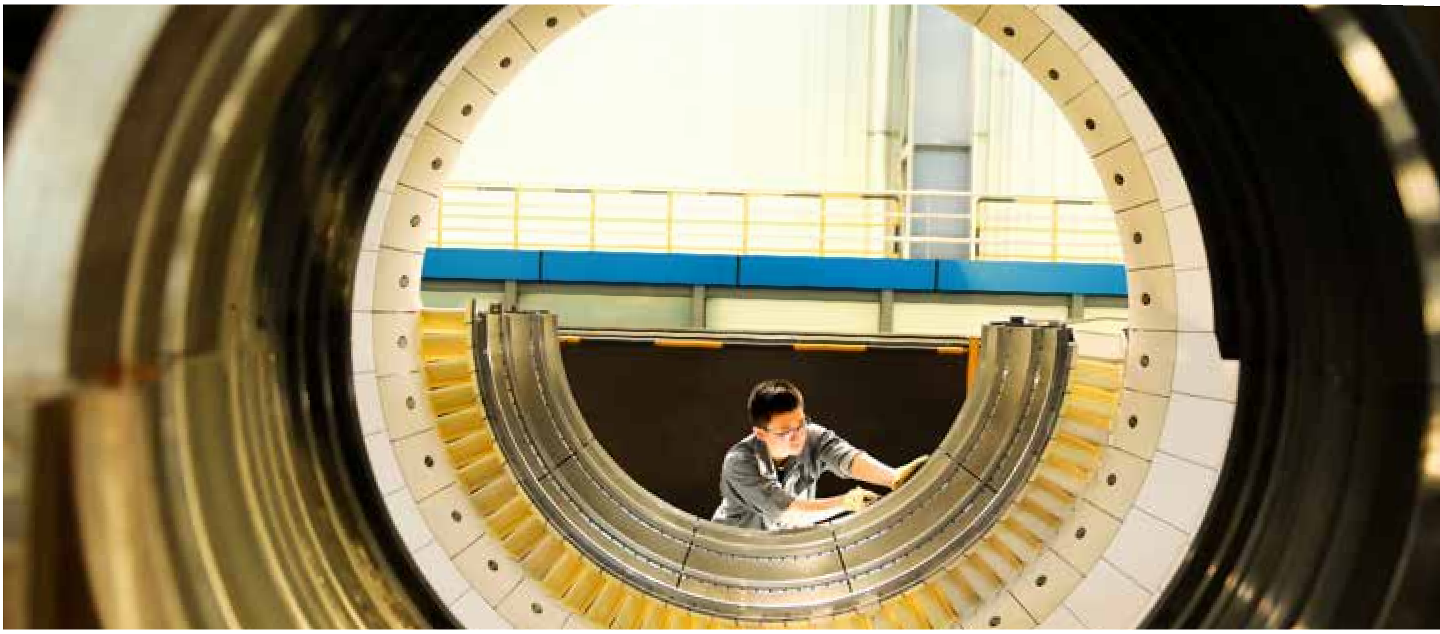
The Company entered into provision of comprehensive services framework agreement with SEGC on 19 October 2022, pursuant to which the Group agrees to provide the Parent Group with informationization, professional consultation, entrusted management, house leasing and other services. The approved annual caps of the provision of relevant comprehensive services for the years ended 31 December 2023, 2024 and 2025 is RMB400,000,000, RMB400,000,000 and RMB400,000,000.

The provision of comprehensive services framework agreement was entered into in the ordinary course of business of the Group and is on normal commercial terms. The various types of services under the provision of comprehensive services framework agreement shall be priced according to the following general principles in sequential order:

- where there is government (including local government) prescribed price, such price shall apply;
- where there is no such government prescribed price, the price shall fall within the band of government guidance price;
- where there is no such government guidance price, the price will be determined with reference to the price of the same or similar services offered by the Group to independent third party customers from time to time. In order to ensure that the provision prices are fair and reasonable, the Group will compare the price offered by the Parent Group against that between the Group and independent third party customers requiring the same or similar services and the Group will only provide services to the Parent Group if they are not less favourable to the prices between the Group and independent third party customers.

The term of the provision of comprehensive services framework agreement is three years commencing on 1 January 2023, renewable at the option of the Company by giving three months' notice prior to the expiry of the agreement.

The actual comprehensive services provided for the Parent



Group for the year ended 31 December 2023 was RMB214.26 million.

Acceptance of comprehensive services framework agreement

The Company entered into acceptance of comprehensive services framework agreement with SEGC on 19 October 2022, pursuant to which the Group agrees to accept the comprehensive services provided by the Parent Group, including but not limited to property management, house leasing, training services, etc. The approved annual caps of the acceptance of relevant comprehensive services for the years ended 31 December 2023, 2024 and 2025 is RMB200,000,000, RMB200,000,000 and RMB200,000,000.

The acceptance of comprehensive services framework agreement was entered into in the ordinary course of business of the Group and is on normal commercial terms. The various types of services under the acceptance of comprehensive services framework agreement shall be priced according to the following general principles in sequential order:

- where there is government (including local government) prescribed price, such price shall apply;
- where there is no such government prescribed price, the price shall fall within the band of government guidance price;
- where there is no such government guidance price, the price will be determined with reference to the prevailing market price of the same or similar services offered by independent third party vendors from time to time. In order to ensure that the prices are fair and reasonable and in line with the prevailing market, the Group will obtain quotations from independent third parties providing the same or similar services. Such quotations will be compared against the quotations from the Parent Group and the Group will only accept the Parent Group's quotations if they are not less favourable to the Group.

The term of the acceptance of comprehensive services framework agreement is three years commencing on 1 January 2023, renewable at the option of the Company by giving three months' notice prior to the expiry of the agreement.

The actual comprehensive services provided by the Parent Group for the year ended 31 December 2023 was RMB19.75 million.

Financial services framework agreement

On 19 October 2022, Finance Company entered into financial services framework agreement with SEGC, pursuant to which Finance Company provides deposit services, loan and bill discounting services and intermediary business services to the Parent Group.

The financial services framework agreement was entered into in the ordinary course of business of the Group and is on normal commercial terms. The term of the agreement is three years commencing on 1 January 2023, renewable at the option of SE Finance by giving three months' notice prior to the expiry of the agreement.

(i) Deposit services

Pursuant to the financial services framework agreement, Finance Company provides deposit services for the Parent Group. For the years ended 31 December 2023, 2024 and 2025, the approved annual caps of maximum daily balance of deposits (including interests) from the Parent Group is RMB15,000,000,000, RMB15,000,000,000 and

RMB15,000,000,000.

The interest rates offered by Finance Company for the deposits placed by the Parent Group shall be:

- subject to the relevant guidelines and regulations of the People's Bank of China ("PBOC"); and
- set with reference to the relevant savings rates set by PBOC from time to time as well as the rates set by the major commercial banks in the PRC.

The actual daily balance of deposits (including interests) from the Parent Group for the year ended 31 December 2023 did not exceed the approved annual cap of RMB15,000,000,000. Besides, the Parent Group received interest income of RMB84.70 million for the deposits from Finance Company for the year ended 31 December 2023.

(ii) Loan and bill discounting services

Pursuant to the financial services framework agreement, Finance Company provides the Parent Group with loan and bill discounting business. For the years ended 31 December 2023, 2024 and 2025, the approved annual caps of maximum daily balance of outstanding loans and bill discounting of the Parent Group (including interests) is RMB15,000,000,000, RMB15,000,000,000 and RMB15,000,000,000.

Interest rates set by SE Finance for all loan and bill discounting services provided to the Parent Group shall be:

- subject to the relevant guidelines and regulations of the PBOC; and
- determined based on the loan prime rate announced by the National Inter-bank Funding Center.

The actual daily balance of outstanding loans and bill discounting of the Parent Group (including interests) in the year ended 31 December 2023 did not exceed the approved annual cap of RMB15,000,000,000. Besides, the Parent Group paid interest of RMB259.52 million, which was derived from loans and discounted bills, to Finance Company for the year ended 31 December 2023.

(iii) intermediary business services

Pursuant to the financial services framework agreement, Finance Company provides the Parent Group with intermediary business services, including but not limited to agency business, foreign exchange business, bill acceptance business, online clearing business, consulting business, etc. For the years ended 31 December 2023, 2024 and 2025, the approved annual caps of intermediary business services fee from the Parent Group (including interests) is RMB20,000,000, RMB20,000,000 and RMB20,000,000.

The handling fees set by SE Finance for intermediary business services provided to the Parent Group shall be:

- subject to the relevant guidelines and regulations of the PBOC, China Banking and Insurance Regulatory Commission and National Development and Reform Commission of the People's Republic of China; and
- with reference to the normal commercial market rates and/or the rates charged by three third party financial institutions for similar intermediary business for the same period.

The intermediary business services fee charged by SE Finance to the Parent Group for the year ended 31 December 2023 was RMB3.30 million.

Continuing Connected Transactions with Siemens

On 23 January 2009, the Company entered into a framework purchase and sales agreement with Siemens Aktiengesellschaft ("Siemens", who indirectly owns more than 10% of the registered capital in certain subsidiaries of the Company), pursuant to which the Group would purchase certain power generation, distribution and transmission related electrical and mechanical components from Siemens and its subsidiaries and associates ("Siemens Group") to be used in various projects and products of the Group, and the Group would sell certain power generation equipment and related components to Siemens Group.

The above framework purchase and sales agreement expired on 23 January 2012. In October 2011, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.35 (1) of the Hong Kong Listing Rules, in accordance with which, the Company would be required to enter into a written agreement with Siemens in respect of the renewal continuing connected transactions. The waiver was conditionally granted by the Stock Exchange on 4 November 2011, subject to and on the waiver conditions. On 8 December 2011, the Board of directors approved the waiver of written framework agreement and the renewal continuing connected transactions. On 29 May 2012, the independent shareholders of the Company approved the waiver of written framework agreement and the renewal continuing connected transactions.

In January 2015, the Company applied for exemption in strictly following the Hong Kong Listing Rules 14A.35(1) which provides that the Company shall enter into a framework agreement with Siemens on renewal continuing connected transactions. The waiver was conditionally granted by the Stock Exchange on 10 February 2015, subject to and on the waiver conditions, and the framework agreement and the updated annual caps of continuing connected transactions were approved by the Board.

In August 2017, the Company applied for exemption in strictly following the Hong Kong Listing Rules 14A.34 and 14A.51 which provides that the Company shall enter into a framework agreement with Siemens on renewal continuing connected transactions. The waiver was conditionally granted by the Stock Exchange on 14 September 2017 subject to and on the waiver conditions, and the framework agreement and the updated annual caps of continuing connected transactions were approved by the Board.

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

- in respect of the purchase transactions where the components and/or technologies are generally available in the market (mainly used in power transmission and distribution equipment), market price, which is determined by reference to the prevailing market rates for similar or the same components and/or technologies available on an arm's length basis from independent third parties, shall be considered for the consideration of the continuing connected transactions to be determined. The marketing departments of the relevant subsidiaries of the Company have been obtaining and will continue to obtain price quotations from suppliers in the market (including both independent suppliers and Siemens) once the relevant subsidiaries receive orders from the customers and will choose the supplier who provides the most favourable terms (especially the lowest price per unit of the same quality). The marketing department of the relevant subsidiaries will compare the price quotations from Siemens with at least two price quotations from independent suppliers before making the commercial decision. The internal control department of the relevant subsidiaries has conducted and will continue to conduct annual review to make sure the abovementioned procedure has been complied with throughout the year. During the past three years, the Company has purchased the same products provided by the Siemens Group from more than two independent suppliers every year and expects to stick to such practice if there is no material change to the current market conditions. With the access to the independent suppliers in the market from time to time, the Company has the opportunity to learn the market conditions on a timely basis and make an informed commercial decision; and
- in respect of the purchase transactions where the components and/or technologies can only be provided by the Siemens Group due to its unique technology (mainly used in power equipment) while similar components and/or technologies provided by other suppliers currently do not match well with the Company's certain power equipment which renders the contemporaneous quotations from independent third parties not available, the Group may refer to (i) prices of relevant transactions for the last year, (ii) market trend of the prices for similar components and/or technologies domestically and internationally, which has been and will be assessed by the marketing department of the relevant subsidiaries based on the public information in the fourth quarter of every year and (iii) business plan of the Group, and negotiate with the Siemens Group in good faith. With the historical purchase price as a benchmark price and the roughly estimated percentage of the increase or decrease of the market prices for similar components and/or technologies domestically and internationally, the Company should be able to assess the fairness and reasonableness of price quotations from the Siemens Group and make an informed commercial decision based on the market information to the largest extent possible.

On 6 October 2020, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Hong Kong Listing Rules, in accordance with which, the Company would be required to enter into a written framework agreement with Siemens in respect of the continuing connected transactions. The waiver was conditionally granted by the Stock Exchange on 15 October 2020, subject to the fulfilment and achievement of the waiver conditions by the Company. On 15 October 2020, the Board of the Company approved the annual caps of the continuing connected transactions between the Company and the Siemens Group for the three years ending 31 December 2023. The approved annual caps of the relevant purchases for the years ended 31 December 2021, 2022 and 2023 is RMB4,000,000,000, RMB3,500,000,000 and RMB3,000,000,000 and the approved annual caps of the years ended 31 December 2021, 2022 and 2023 is RMB300,000,000, RMB300,000,000 and RMB300,000,000.

For the year ended 31 December 2023, the actual purchases from the Siemens Group by the Group was RMB250.85 million and the sales of the Group to the Siemens Group was RMB241.74 million.

MESMEE Purchase Framework Agreement

Mitsubishi Electric Corporation ("Mitsubishi Electric") holds more than 10% of the equity interest in SMEC, a subsidiary of the Company. Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd. ("MESMEE") is held as to 40% by Shanghai Mechanical & Electrical Industry Co., Ltd., a 48.81% owned subsidiary of the Company, 40% by Mitsubishi Electric and 20% by Mitsubishi Electric Building Techno-service Co., Ltd., a wholly-owned subsidiary of Mitsubishi Electric.

SMEC entered into the MESMEE Purchase Framework Agreement with MESMEE on 19 October 2022. Pursuant to the agreement, the annual caps of the purchases for the years ended 31 December 2023, 2024 and 2025 is RMB3,000,000,000, RMB3,000,000,000 and RMB3,000,000,000.

The price of products purchased from MESMEE is determined based on arm's length commercial negotiations in accordance with general principles of fairness and reasonableness with reference to the market price and the historical transaction price by taking into account the actual or reasonable cost (whichever is lower) incurred thereof plus a reasonable profit margin.

The term of the agreement is three years commencing on 1 January 2023.

The actual purchases from MESMEE by SMEC for the year ended 31 December 2023 was RMB1,974.83 million.

Framework Sales Agreement with SMEPC

State Grid Shanghai Municipal Electric Power Company ("SMEPC") hold more than 10% equity interest of Shanghai Electric Transmission and Distribution Group Co., Ltd., a subsidiary of the Company, and purchases transmission and distribution products from the Group since 2012.

As the Company devotes to increase sales and profits of transmission and distribution products, the company anticipated that the Group would continuously trade with SMEPC Group over the next couple of years. Therefore, in February 2015, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Hong Kong Listing Rules, in accordance with which, the Company would be required to enter into a written framework agreement for continuing connected transactions. The waiver was conditionally granted by the Stock Exchange on 22 April 2015 subject to and on the waiver conditions. On 24 April 2015, the Board of the Company approved the waiver of entering into framework agreement and the annual caps of continuing connected transactions.

In July 2017, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Hong Kong Listing Rules, in accordance with which, the Company would be required to enter into a written framework agreement for continuing connected transactions. The waiver was conditionally granted by the Stock Exchange on 9 August 2017 subject to and on the waiver conditions. On 30 October 2017, the Board of the Company approved the waiver of entering into framework agreement and the annual caps of continuing connected transactions. On 29 April 2019, the Board of the Company suggested to revise the annual caps of continuing connected transactions.

As the Company needs to take part in open, strict and

independent bidding process in order to obtain the orders and enter into each of the Continuing Connected Transactions, the Company will adopt the following methods and procedures to ensure that the bidding price is fair and reasonable:

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

On 6 October 2020, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Hong Kong Listing Rules, in accordance with which, the Company would be required to enter into a written framework agreement with SMEPC in respect of the continuing connected transactions. The waiver has been conditionally granted by the Stock Exchange on 15 October 2020 subject to and on the waiver conditions. On 15 October 2020, the Board of the Company approved the waiver of entering into framework agreement and annual caps of the continuing connected transactions between the Company and the SMEPC Group for the three years ending 31 December 2023. The approved annual caps of the relevant sales for the years ended 31 December 2021, 2022 and 2023 is RMB6,000,000,000, RMB6,200,000,000 and RMB6,500,000,000.

The sales of the Group to the SMEPC Group was RMB4,400.81 million for the year ended 31 December 2023.

Pursuant to Rule 14A.55 and Rule 14A.71(6)(a) of the Hong Kong Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive directors, who confirmed that the aforesaid continuing connected transactions were entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 and 14A.71(6)(b) of the Hong Kong Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter to confirmed the matters set out in Rule 14A.56. of the Hong Kong Listing Rules in respect of the above continuing connected transactions.

Significant Related Party Transactions

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

Other Significant Events

Adjustment of Performance Commitment in Relation to Subsidiary

During the Reporting Period, the Company signed the "Supplementary Agreement to the Performance Commitment Agreement" with Mr. Wang Weidong and Ms. Xu Xiaoju (hereinafter referred to as the "Performance Commitment Party"), the former controlling shareholders of Yinghe Technology, which adjusted the performance commitment of Yinghe Technology to a cumulative net profit of RMB1.379 billion over a period of four years from 2020 to 2023. The adjustment of performance commitments has been approved at the first extraordinary general meeting of shareholders of the Company in 2023.

As of the end of 2023, the audited net profit attributable to shareholders of the parent company of Yinghe Technology for the years 2020 to 2023 was RMB1.543 billion, and the net profit attributable to shareholders of the parent company of Yinghe Technology after deducting non-recurring gains and losses was RMB1.456 billion, meeting the performance commitment amount made by the Performance Commitment Party.

Litigations in Relation to SECT

Shanghai Electric Communication Technology Co., Ltd. ("SECT"), a controlled subsidiary of the Company, filed petitions to the court in 2021, to request Beijing Capital Group Co., Ltd (北京首都創業集團有限公司) ("Capital Company") and Beijing Capital Group Company Limited Trading Branch (北京首都創業集團有限公司貿易分公司) ("Capital Trading") to settle the payment for goods in a total amount of approximately RMB1,193 million and the damages for breach of contract. In July 2022, SECT received the civil ruling issued by Shanghai No. 2 Intermediate People's Court (上海市第二中級人民法院) on the cases of SECT suing Capital Company and Capital Trading. The court held that after review, the facts involved in these cases were related to the contract fraud cases of Capital Company, which were filed and investigated by the Beijing Municipal Public Security Bureau. The court also held that the trial results of these cases must be based on the trial results of the contract fraud cases, and ruled that the cases be stayed.

SECT filed petitions to the court in 2021, to request Harbin Industrial Investment Group Co., Ltd. (哈爾濱工業投資集團有限公司) ("Harbin Industrial Investment") to settle the payment for goods in a total amount of approximately RMB392,973.5 thousand and the damages for breach of contract. In December 2021, SECT received the first-instance judgment regarding the cases of SECT suing Harbin Industrial Investment. In July 2022, SECT received the notice of response and the civil ruling issued by Shanghai Higher People's Court (上海市高級人民法院). The court held that after review, the cases should be based on the outcomes of other civil and commercial cases involving Sui Tianli and others and thus the appeal cases of Harbin Industrial Investment were ruled to be stayed by the court.

SECT filed petitions to the court in 2021, to request Fortune Industrial Corp. (富申實業公司) ("Fortune Industrial") to settle the payment for goods in a total amount of approximately RMB787,956.2 thousand and the damages for breach of contract. In November 2021, Fortune Industrial sued SECT for the return of the advance and payments for goods in a total amount of approximately RMB97,741.8 thousand. During the period from May to June 2022, Shanghai Yangpu District People's Court (上海市楊浦區人民法院) ruled that the cases regarding SECT suing Fortune Industrial were stayed. In July 2022, SECT received the civil ruling issued by Shanghai Yangpu District People's Court (上海市楊浦區人民法院) on the cases of Fortune Industrial suing SECT. The court held that after review, the cases should be based on the outcomes of another case, which had not been concluded yet, and ruled that the cases were stayed.

SECT filed petitions to the court in 2021, to request Nanjing Changjiang Electronics Group Co., Ltd. (南京長江電子信息產業集團有限公司) ("Nanjing Changjiang") to settle the payment for goods in a total amount of approximately RMB2,089,000.8 thousand and the damages for breach of contract. During the period from May to June 2022, Shanghai Yangpu District People's Court (上海市楊浦區人民法院) ruled that the cases regarding SECT suing Nanjing Changjiang were stayed.

Jiangsu Zhongli Group Co., Ltd. (江蘇中利集團股份有限公司) ("Jiangsu Zhongli") brought a claim against SECT to request payment for goods, the corresponding interest and attorney's fee for litigation in a total amount of approximately RMB545,075.7 thousand in 2021. In July 2022, SECT received notice of response, civil complaint and civil ruling and other materials from Shanghai Yangpu District People's Court (上海市楊浦區人民法院). Jiangsu Zhongli applied for withdrawal of the lawsuits and re-litigated against SECT for payment for goods, the corresponding interest and attorney's fee for litigation in a total amount of approximately RMB544,348 thousand. Shanghai Yangpu District People's Court (上海市楊浦區人民法院), after consideration and review, held that as the cases had to be based on the outcomes of another case, and as that case had not yet been concluded, the cases met the circumstances for statutory stay of litigation and ruled that the cases were stayed.

Material Arbitrations in Relation to the Sasan Project in India

In June 2008, the Company and Reliance Infra Projects (UK) Limited (the "Reliance UK"), entered into the Equipment Supply and Service Contract (the "Contract") with a contracted amount of USD1,311,000,000, pursuant to which, the Company (as the supplier) shall provide major equipment and relevant services for the project of Sasan 6*600MW Ultra Large Supercritical Coal-fired Power Station in India, Reliance Infrastructure Limited (the "Reliance") issued the letter of guarantee for the payment obligations of Reliance UK under the Contract, and Sasan Power Limited (the "Sasan Power") owned and operated the power station. Since Reliance UK still failed to pay for the equipment purchased and other relevant payables to the Company after the project commenced commercial operation for several years, the Company filed to the Singapore International Arbitration Centre ("SIAC") for arbitration in December 2019, requiring Reliance to pay for equipment purchased and other relevant payables in the amount of at least USD135,320,728.42 to the Company as agreed in the letter of guarantee issued by Reliance for Reliance UK (the "First Arbitration").

In December 2021, the Company received a notice of acceptance for an arbitration brought by Reliance UK against the Company issued by the SIAC, pursuant to which Reliance UK requested the Company to compensate for its losses of approximately USD388.75 million related to the contract. Reliance UK also believed that the letter of performance guarantee was unreasonably released and requested the Company to issue a letter of performance guarantee in the amount of approximately USD120.175 million to guarantee its claims (the "Second Arbitration").

In December 2022, the Company received the award issued by SIAC for the First Arbitration, which ordered Reliance to pay the Company the sum of USD146,309,239.27.

In May 2023, the Company received a notice from the Singapore International Commercial Court ("SICC") that Reliance has filed an application to the SICC seeking to have the award for the First Arbitration by SIAC set aside in its entirety. The application was accepted by the SICC.

In January 2024, the Company received a notice from the SICC that the SICC had entered a judgment, rejecting Reliance's application to set aside the award for the First Arbitration in its entirety and also awarding Reliance to pay to the Company the litigation costs related to this case.

Litigation in Relation to the Electric Leasing

In 2018, the Company and Shanghai Electric Rongchuang Financial Leasing Co., Ltd. (上海電氣融創融資租賃有限公司) ("Electric Leasing") filed a pleading with Shanghai High People's Court. Electric Leasing applied to the court for a ruling that Xinjiang Jiarun Resources Holdings Co. Ltd. (新疆嘉潤資源控股有限公司) ("Jiarun Company"), as the first defendant, pays Electric Leasing all rentals due but unpaid as well as rentals not yet due under the Financial Leasing Contract for a batch of equipment including the main equipment and certain anxiliary equipment of the project, penalty for breach of contract, penalty for delayed performance and etc., and Qingdao Antaixin Group Co. Ltd. (青島安泰信集團有限公司) ("Antaixin Company") and Wang Zhijun assume joint liability of guarantee for the aforementioned payments; that Electric Leasing be entitled to be compensated with priority to the extent of the aforementioned scope of claim from auction or sale of the collaterals provided by Qingdao Shengshi Jiaye Business Development Co., Ltd.(青島盛世嘉業商業發展有限公司) ("Shengshi Jiaye") under the Pledge Contract. In 2019, Electric Leasing received the civil judgment of first instance from Shanghai High People's Court and Electric Leasing filed an appeal. In 2020, the Supreme People's Court ruled that the judgment of first instance was revoked and the case was sent back for retrial. Shanghai High People's Court opened a court session on the case and issued a retrial civil judgment of first instance in early 2023. Jiarun Company, Antaixin Company and Shengshi Jiaye lodged an appeal to the Supreme People's Court against such judgement and then withdrew their appeal, and the Supreme People's Court issued a civil ruling paper that the withdrawal of the appeal was granted and the retrial judgement of first instance has become legally effective since the date of service of the ruling paper.

Litigations in Relation to SINOMEC

The Company provided loans totaling RMB1 billion to SINOMEC Engineering Group Co., Ltd. (中國能源工程集團有限公司) ("SINOMEC") in 2019 and 2020, and thereafter SINOMEC repaid the principal amount of RMB1 million and a portion of the interests. Upon the maturity and collections, both SINOMEC and the Guarantor have failed to fulfill their contractual obligations as agreed. The Company formally filed lawsuit with the Shanghai Financial Court and requested for order for SINOMEC shall repay the principal amount of the loan together with interest, penalty and compound interest; the Company is entitled to be repaid SINOMEC's debt to the Company on a preferential basis by way of discounting, auction or sales of the relevant equity interest of SINOMEC pledged by Shanghai Zhongyou Guodian Energy Co., Ltd. (上海中油國電能源有限公司) and Shanghai Changtai Electric Co., Ltd. (上海昌泰電氣有限公司); China Pufa Machinery Industry Co., Ltd. (中國浦發機械工業股份有限公司) ("Pufa

Machinery") and Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司) shall be jointly and severally liable for the relevant SINOMEC's debt; the defendants shall bear the litigation costs, legal fees and other expenses for realizing the creditor's rights. The Company received the Notice of Acceptance (受理通知書) indicating that the cases have been filed by the court in September 2023.

Pledge Release of Shares of the Company by Controlling Shareholder

SEGC completed the offering of 2020 Non-Public Issuance of Exchangeable Corporate Bonds (Phase I) (the "20 Electric EB") using the A shares of the Company held by SEGC and its yields as the exchange objects on 3 February 2020, and completed registration procedures for the share pledge of 1,120,000,000 A shares of the Company on 15 January 2020. SEGC completed the offering of 2021 Non-Public Issuance of Exchangeable Corporate Bonds (Phase I) (the "21 Electric EB") using the A shares of the Company held by SEGC and its yields as the exchange objects on 23 March 2021, and completed registration procedures for the share pledge of 254,545,455 A shares of the Company on 15 March 2021. In accordance with the maintenance guarantee ratio and additional guarantee mechanism set out in the "Offering Memorandum for 2021 Non-Public Issuance of Exchangeable Corporate Bonds by Shanghai Electric (Group) Corporation (Phase I) (for eligible investors)", SEGC completed registration procedures for the supplemental share pledge of 30,000,000 A shares of the Company on 17 August 2021.

20 Electric EB was delisted on 3 February 2023 and had been exchanged for a total of 435,478,937 shares of the Company. SEGC completed the pledge release procedures for the 684,521,063 tradable shares of the Company on 7 February 2023 at China Securities Depository and Clearing Corporation Limited Shanghai Branch. As of 31 December 2023, the number of the remaining pledged shares of SEGC was 284,545,455 shares.

21 Electric EB was delisted on 25 March 2024 and had been exchanged for a total of 0 shares of the Company. SEGC completed the pledge release procedures for the 284,545,455 tradable shares of the Company on 29 March 2024 at China Securities Depository and Clearing Corporation Limited Shanghai Branch.

Significant Events After the Reporting Period

Pledge of Shares of the Company by Controlling Shareholder

SEGC completed the offering of Shanghai Electric Holding Group Co., Ltd. non-public issuance of exchangeable corporate bonds (Phase I) to professional investors (the "24 Electric EB") using the A shares of the Company held by SEGC and its yields as the exchange objects on 27 March 2024, and completed registration procedures for the share pledge of 1,710,000,000 A shares of the Company on 15 March 2024.

Change of Domicile of the Company and Proposed Amendments to the Articles of Association

Based on the actual situation of the Company, it is proposed to change the domicile of the Company from "30/F, Maxdo Center, No.8 Xingyi Road, Shanghai" to "No. 16 Lane 1100, Huashan Road, Shanghai" and amendments to the relevant article of the Articles of Association. The change of Domicile and the proposed amendments to the Articles of Association are subject to shareholders' approval at the general meeting.

Appointment, Removal and Remuneration of Auditors

Unit: million; Currency: RMB

	Currently appointed
Name of the PRC auditor	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of the PRC auditor	22.20
Number of years of audited by PRC auditors	10

		Remuneration
Auditor for Internal controls review	PricewaterhouseCoopers Zhong Tian LLP	2.30

AUDITOR'S REPORT

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

OPINION

What we have audited

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

- the consolidated and company balance sheets as at 31 December 2023;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shanghai Electric Group as at 31 December 2023, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

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

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

KEY AUDIT MATTERS

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

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

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition relating to sales of goods, construction services and provision for onerous contracts	
Refer to Note 2(22), Note 2(23),Note 2(32)(b), Note 4(43)(b) and Note 4(56) to the financial statements. In 2023, Shanghai Electric Group's consolidated total revenue was RMB114,797,077 thousand, of which approximately 74.09% was resulted from sales of goods and approximately 9.90% was resulted from construction services. In 2023, the amount of provision for onerous contracts charged to the consolidated income statement was RMB917,447 thousand. When the customers gain control over the relevant goods or services, Shanghai Electric Group recognises revenue in accordance with the amount of consideration which Shanghai Electric Group expects to be entitled to receive. Factors such as commodity prices and industry competition can have a significant impact on the gross profit of related contracts.	For sales of goods, we obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls in respect of management's sales transactions from order approval to sales recording, as well as cash collection of accounts receivable. We discussed with management and understood the revenue recognition policy for sales of goods of Shanghai Electric Group. By inspecting sales contracts on a sample basis, we analysed and evaluated whether the point of time when control transfers was consistent with the relevant accounting policies disclosed in the notes to the financial statements.

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition relating to sales of goods, construction services and provision for onerous contracts (Continued)	
We focused on revenue recognition relating to sales of goods, construction services and provision for onerous contracts and identified these as key audit matters based on the following reasons: The focus on the revenue from sales of goods is due to its huge volume, large number of customers involved with goods distributed to many different areas. The amount of sales of goods recognised has a significant impact on the financial statements. Therefore, we need to deploy significant audit resources to execute the necessary audit procedures. The focus on the revenue recognition relating to construction services and provision for onerous contracts is due to the significant estimations and judgements involved. Shanghai Electric Group adopted the percentage of completion method to account for the revenue from construction services, and determined the progress of the relevant contracts by reference to the proportion of costs incurred to date to the estimated total costs.	Furthermore, we tested revenue from sales of goods on a sample basis by performing the following procedures: • examined the relevant supporting documents, including customer orders, sales contracts, goods delivery notes, customers' acceptance notes, invoices, etc.; • tested sales transactions recorded before and after the balance sheet date by tracing to the supporting documents including the relevant customers' acceptance notes, etc. to assess whether revenue was recognised in the correct reporting periods. For revenue from construction services and provision for onerous contracts, we obtained an understanding of management's internal control and assessment process of recording contract revenue, contract costs and the unavoidable cost of the onerous contracts. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors (such as their complexity, subjectivity, variability and sensitivity to management bias), and tested the operating effectiveness of key controls, including the controls related to record of the actual cost incurred and estimation of the total contract costs. We compared the actual total costs of completed projects to management's prior estimation of projected total contract costs on a sample basis to assess management's historical estimation accuracy.

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition relating to sales of goods, construction services and provision for onerous contracts (Continued)	
Meanwhile, management of Shanghai Electric Group assessed whether the unavoidable contracts costs to fulfil contractual obligations exceeded the economic benefits expected to be received at balance sheet date, and set aside the provision for the onerous contracts based on the estimated least net cost of exiting from the contracts, including existing or potential unpredictable expenditures to be incurred before completion or delivery. The estimations are subject to high degree of uncertainty and subjectivity.	We obtained the analyses on revenue and cost relating to construction services calculated by managements and agreed the total amount to the sales and operating cost ledgers. Meanwhile, we obtained the schedule of onerous contracts prepared by management and checked the mathematical accuracy of the calculation of the analyses on revenue and cost relating to construction services and the schedule of onerous contracts. We tested the actual costs incurred on a sample basis by performing the following procedures: • examined the supporting documents, including the contracts, invoices, equipment acceptance documents, progress confirmation slips, etc.; and • tested the actual costs incurred before and after the balance sheet date by tracing to the supporting documents, including the equipment acceptance documents, progress confirmation slips, etc., to assess whether the actual costs incurred were recognised in the correct reporting periods.

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition relating to sales of goods, construction services and provision for onerous contracts (Continued)	
	Furthermore, we tested the estimated total costs of revenue from construction services and onerous contracts on a sample basis by performing the following procedures: • checked the components of the estimated total costs to the supporting documents, including purchase contracts, to identify any missing cost components; • assessed the reasonableness of the estimated total costs through discussions with the project engineers and reviewed the supporting documents; • assessed the reasonableness of the estimated total contract cost by comparing the estimated total contract cost with the actual total costs for similar completed projects. We recalculated the percentage of completion and the estimated gross profit recognised in the current period to assess the accuracy of revenue recognition relating to construction services. Based on the above, we considered that management's estimations and judgements applied in the revenue recognition relating to sales of goods, construction services and provision for onerous contracts were supported by the evidences obtained and procedures performed.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances to customers	
Referring to Note 2(9), Note 2(32)(a), Note 4(5), Note 4(6), Note 4(12), Note 4(14)(a), Note 4(15), Note 4(18)(a), Note 4(30) and Note 13(2) to the financial statements. As at 31 December 2023, the net carrying amount of Shanghai Electric Group's trade acceptance notes receivable was RMB1,836,816 thousand, after netting off the accumulated provision for impairment of RMB842,758 thousand. Accounts receivable as at the same date amounted to RMB40,477,926 thousand, after netting off the accumulated provision for impairment of RMB17,949,869 thousand. Contract assets as at the same date amounted to RMB35,119,921 thousand, after netting off the accumulated provision for impairment of RMB1,611,312 thousand.	We obtained an understanding of management's internal control and assessment process in relation to the impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables, and loans and advances to customers. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors (such as their complexity, subjectivity, variability and sensitivity to management bias), and tested the operating effectiveness of key controls. By comparing the actual write-offs or losses of trade acceptance notes receivable, accounts receivable, contract assets and finance lease receivables with the provision for bad debts accrued in previous years, we evaluated the reliability of management's policies and historical judgements adopted in estimating the provision for bad debts and impairment. We performed the following procedures on assessing expected credit loss ("ECL") of trade acceptance notes receivable, accounts receivable and contract assets: • for trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics and occurrence of credit impairment, we performed the following procedures:

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances to customers(Continued)	
Shanghai Electric Group provided for impairment of trade acceptance notes receivable, accounts receivable and contract assets based on the ECL during lifetime. For trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics and occurrence of credit impairment, management of Shanghai Electric Group evaluated the distribution of expected cash flows under multiple scenarios based on historical credit loss experience, operating model, current situations and forecasts of future conditions of contract counterparties under different situations, taking into account the professional legal advice from external lawyers and the asset preservation related to the litigation, and made corresponding provision for ECL according to ECL rate and the related probability weight under different scenarios. For the trade acceptance notes receivable, accounts receivable and contract assets without occurrence of credit impairment or the ECL cannot be estimated for an individual financial asset at a reasonable cost, Shanghai Electric Group grouped accounts receivable in accordance with credit risk characteristics and measured the ECL based on groups. For the trade acceptance notes receivable, accounts receivable and contract assets in groups, Shanghai Electric Group made reference to the historical experience of credit losses, combining with the current situation and forecast of economic situation in the future, and prepared the model which refers to the days overdue and rate of the ECL during lifetime in order to measure the ECL.	- evaluated the criteria and rationality of management's judgement that trade acceptance notes receivable, accounts receivable and contract assets are featured with significantly different credit risk characteristics; - obtained the expected cash flow distribution prepared by management based on operating model for contract counterparties under different situations, and examined the accuracy of the classification of these counterparties on a sample basis; - evaluated the rationality of management's assumptions of expected cash flow distribution based on operating model, and ECL rate and related probability weight under different scenarios according to historical credit loss experience of contract counterparties, statistics from third parties, open market disclosures, the latest developments in litigations provided by external lawyers and the asset preservation related to the litigation, etc.; - evaluated the results of management's sensitivity analysis using reasonably possible changes of the relevant key parameters; - recalculated the ECLs after adjusting the historical rates of default loss using forward looking factors. • For the model used by management to calculate ECLs in groups, we performed the following procedures:

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances to customers(Continued)	
As at 31 December 2023, the net carrying amounts of Shanghai Electric Group's loans and advances to customers and finance lease receivables were RMB8,509,249 thousand and RMB3,456,396 thousand, respectively, after netting off accumulated provision for impairment of RMB439,176 thousand and RMB1,379,141 thousand, respectively. Shanghai Electric Group used a three-stage impairment model to calculate ECL by assessing if the credit risk has significantly increased since initial recognition for finance lease receivables and loans and advances to customers. For the finance lease receivables and loans and advances to customers with occurrence of credit impairment, and other finance lease receivables and loans and advances to customers subject to separate assessment for impairment provision, ECL was separately determined and provision for bad debts was accrued individually. For the finance lease receivables and loans and advances to customers without occurrence of credit impairment or the ECL cannot be estimated for an individual financial asset at a reasonable cost, Shanghai Electric Group grouped finance lease receivables and loans and advances to customers in accordance with credit risk characteristics and measured the ECL based on groups.	- Evaluated the reasonableness of trade acceptance notes receivable, account receivable and contract asset portfolio division and the measurement method of the expected credit loss model; - tested on a sample basis the accuracy of the historical credit default data used in the model to assess the rate of historical default loss; - reviewed the appropriateness of the economic indicators, economic scenarios and weights selected by management by assessing the historical correlation between asset portfolios and economic indicators, and verified the economic indicators adopted in the model against external data; - evaluated the results of management's sensitivity analysis of the forward-looking factors using reasonably possible changes of the relevant key parameters; - tested the accuracy of the ageing of trade acceptance notes receivable, accounts receivable and contract assets on a sample basis; - recalculated the ECLs after adjusting the historical rates of default loss using forward looking factors. We performed the following procedures on impairment provision of finance lease receivables and loans and advances to customers: • evaluated the appropriateness of the calculation methods adopted in the models used to arrive at ECLs, as well as evaluating the reasonableness of the grouping of assets, selection of the models, and the key parameters involved in the significant estimations and judgements;

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances to customers(Continued)	
The major management judgements and assumptions adopted in the measurement of ECL mainly include: (1) selecting appropriate models to measure ECL and grouping businesses with similar credit risk characteristics into one separate portfolios; (2) establishing criteria for significant increase of credit risk and occurrence of default credit impairment; (3) selecting appropriate economic indices, economic scenarios and the weights used in forward-looking parameters, as well as establishing future cash flow forecasts for separate assessments of the finance lease receivables and loans and advances to customers at the third stage. We considered impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances to customers as a key audit matter since the estimations of impairment provision are subject to high degree of uncertainty and subjectivity. Shanghai Electric Group's measurement of ECL based on separate assessment involved significant managerial judgements and assumptions, and Shanghai Electric Group's measurement of ECLs based on groups involved both complex models and significant managerial judgements and assumptions.	• based on the financial and non-financial information of the lessees and borrowers and other external evidence and considerations, assessed on a sample basis the reasonableness of the classification of the three stages adopted in the model; • inspected on a sample basis the accuracy and completeness of the critical data used in the model to calculate the ECL, including the historical data and the current data used. For the finance lease receivables and loans and advances to customers classified in Stage 3 that are subject to separate impairment assessment, used sampling techniques to check and assess the reasonableness of the discounted cash flow model and future cash flow projections used by management; • reviewed the appropriateness of the economic indicators, economic scenarios and weights selected by management by assessing the historical correlation between asset portfolios and economic indicators, and verified the economic indicators adopted in the model against external data; • evaluated the results of management's sensitivity analysis of the forward-looking factors using reasonably possible changes of the relevant key parameters. • re-calculated the ECLs after adjusting the historical rates of default loss using forward looking factors. Based on the above, we considered that management's judgements applied in the impairment provision assessment of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances to customers were supported by the evidences obtained and procedures performed.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill	
Referring to Note 2(19), Note 2(32)(b) and Note 4(27) to the financial statements. As at 31 December 2023, the net carrying amount of Shanghai Electric Group's goodwill was RMB3,244,929 thousand, after netting off impairment for goodwill of RMB2,082,236 thousand. In 2023, the amount of goodwill impairment made by Shanghai Electric Group was RMB91,343 thousand. Shanghai Electric Group recognised the corresponding impairment based on the excess of the carrying amount over the recoverable amount of the assets group or the portfolio of the assets group. The recoverable amount is determined by the higher of the fair value less cost of disposal of the asset group or the portfolio of the assets group and its value-in-use calculated based on the present value of expected future cash flows. The key assumptions adopted in the calculation of the present value of the expected future cash flows include: • growth rates in the forecast period • growth rates in the stable period • gross margin rate • pre-tax discount rates	We obtained an understanding of management's internal control and assessment process in relation to the impairment provision of goodwill. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors (such as their complexity, subjectivity, variability and sensitivity to management bias), and tested the operating effectiveness of key controls. For the value-in-use calculations using present value of expected future cash flows, we conducted the following procedures: • compared and analysed the actual financial results of the relevant asset group or asset groups during the current year against the respective forecasts in previous year to evaluate the reliability of management's historical prediction of future cash flows. • obtained management's calculation schedules of goodwill impairment and evaluated the appropriateness of the valuation methods used by management in estimating the recoverable amount by reference to the industry practice. • compared the key parameters and input data used in the cash flow forecasts against the historical figures and approved budgets, etc.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill (Continued)	
In 2023, management used the market approach to determine the fair value less cost of disposal of an asset group. The methods adopted were the stock price of listed companies or the ratio of enterprise-value-to-EBITDA after necessary adjustments, in which the key assumptions involved mainly included the share price of the listed company, the ratio of enterprise-value-to-EBITDA, the controlling interest premium, and the discount for lack of marketability. We identified goodwill impairment assessment as a key audit matter since the balance of goodwill was significant, the estimation of goodwill impairment was subject to significant uncertainty and subjectivity, and testing of goodwill impairment involved significant management judgements.	• meanwhile, we evaluated management's key assumptions by implementing the following procedures: - compared the growth rates in the forecast period with the Company's historical growth rates, relevant business plans and industry historical data; - compared the growth rates in the stable period with the economic data we obtained; - compared the projected gross margin rate with past performance, taking into consideration of market trends; - for the discount rate used in the model, we estimated an acceptable range independently by considering external data sources (including the market risk-free rate and the debt to asset ratio) and geographical factors, and compared that with the discount rate used in the cash flow model; - reviewed the appropriateness of the above key assumption parameters with reference to market information and industry parameters. • in response to the sensitivity analysis prepared by management, we focused on and assessed the extent and likelihood of impairment due to the reasonably possible changes in key assumptions that have significant impacts on the present value of expected future cash flows.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill (Continued)	• tested the accuracy of the calculation of the net present value of future cash flows. For the fair value less cost of disposal of the asset group or the portfolio of the asset group, we conducted the following procedures: • obtained management's calculation schedules of goodwill impairment and evaluated the appropriateness of the valuation methods used by management in estimating the recoverable amount by reference to the industry practice. • evaluated the appropriateness of the selected controlling interest premium, discount for lack of marketability or market multiplier by assessing the industry, capital structure, and operating scale of enterprises; • tested the accuracy of the calculation of fair value less cost of disposal. Based on the above, we considered that management's judgements applied in impairment assessment of goodwill were supported by evidences obtained and procedures performed.

OTHER INFORMATION

Management of Shanghai Electric Group is responsible for other information. The other information comprises all the information included in 2023 annual report of Shanghai Electric Group other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is enough and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on Shanghai Electric Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Shanghai Electric Group to cease to continue as a going concern.

- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain enough appropriate audit evidence regarding the financial information of the entities or business activities within Shanghai Electric Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	Yang Xudong (Engagement Partner)
Shanghai, the People's Republic of China 28 March 2024	Signing CPA	Zheng Jiayan

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

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

ASSETS	Note	31 December 2023 Consolidated	31 December 2022 Consolidated
Current assets			
Cash at bank and on hand	4(1)	30,164,902	26,344,500
Clearing settlement funds		5,804	24,317
Placements with banks and other financial institutions	4(2)	18,054,967	24,613,553
Financial assets held for trading	4(3)	7,492,363	7,657,438
Derivative financial assets	4(4)	12,798	55,890
Notes receivable	4(5)	3,995,445	6,257,285
Accounts receivable	4(6)	40,477,926	38,279,969
Receivables financing	4(7)	1,354,944	2,105,589
Prepayments	4(8)	9,511,724	10,276,967
Other receivables	4(9)	5,984,167	6,156,517
Financial assets purchased under resale agreements	4(10)	1,135,620	1,131,206
Inventories	4(11)	32,423,705	30,871,914
Contract assets	4(12)	21,913,397	21,801,813
Current portion of non-current assets	4(13)	1,976,785	2,857,670
Other current assets	4(14)	17,322,171	22,719,005
Total current assets		191,826,718	201,153,633
Non-current assets			
Loans and advances to customers	4(15)	7,370,067	1,590,952
Debt investments	4(16)	152,570	152,863
Other debt investments	4(17)	-	-
Long-term receivables	4(18)	3,067,193	3,328,725
Long-term equity investments	4(19)	11,001,371	11,183,753
Other non-current financial assets	4(20)	7,339,112	7,268,463
Investment properties	4(21)	608,798	660,172
Fixed assets	4(22)	20,427,312	20,282,308
Construction in progress	4(23)	1,934,072	3,427,951
Right-of-use assets	4(24)	1,410,284	1,402,169
Intangible assets	4(25)	12,256,813	12,582,986
Development expenditures	4(26)	31,661	35,818
Goodwill	4(27)	3,244,929	3,288,723
Long-term prepaid expenses	4(28)	504,145	555,484
Deferred tax assets	4(29)	8,300,768	7,733,152
Other non-current assets	4(30)	13,790,754	13,373,700
Total non-current assets		91,439,849	86,867,219
TOTAL ASSETS		283,266,567	288,020,852

CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2023

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2023 Consolidated	31 December 2022 Consolidated
Current liabilities			
Short-term borrowings	4(32)	8,272,416	8,660,895
Financial liabilities held for trading	4(33)	34,435	32,017
Derivative financial liabilities	4(4)	3,425	10,450
Notes payable	4(34)	12,074,199	16,069,558
Accounts payable	4(35)	59,610,479	57,396,886
Advances from customers	4(36)	859,959	786,313
Contract liabilities	4(37)	44,207,113	38,742,797
Proceeds from financial assets sold under repurchase agreements	4(10)	1,000,000	-
Deposits from customers, banks and other financial institutions	4(38)	7,270,530	6,076,565
Employee benefits payable	4(39)	5,381,579	4,958,030
Taxes payable	4(40)	2,466,028	2,030,487
Other payables	4(41)	8,144,533	7,859,473
Current portion of non-current liabilities	4(42)	6,898,720	9,120,361
Other current liabilities	4(43)	11,501,165	11,781,611
Total current liabilities		167,724,581	163,525,443
Non-current liabilities			
Long-term borrowings	4(44)	30,893,868	21,647,690
Bonds payable	4(45)	749,300	748,697
Lease liabilities	4(46)	1,150,996	1,077,425
Long-term payables	4(47)	561,953	562,855
Deferred income	4(48)	1,333,337	1,491,212
Long-term employee benefits payable	4(49)	187,568	175,854
Provisions	4(43)	3,028,758	3,592,976
Deferred tax liabilities	4(29)	614,502	836,321
Other non-current liabilities	4(50)	95,064	168,212
Total non-current liabilities		38,615,346	30,301,242
Total liabilities		206,339,927	193,826,685
Shareholders' equity			
Share capital	4(51)	15,579,809	15,579,809
Capital surplus	4(52)	19,476,900	21,837,822
Other comprehensive income	4(53)	21,601	(24,891)
Special reserve		134,056	143,786
Surplus reserve	4(54)	5,906,524	5,906,524
Retained earnings	4(55)	11,678,998	11,419,263
Total equity attributable to shareholders of the parent company		52,797,888	54,862,313
Minority interests		24,128,752	39,331,854
Total shareholders' equity		76,926,640	94,194,167
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		283,266,567	288,020,852

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

Legal representative:Wu Lei Principal in charge of accounting: Zhou Zhiyan Head of accounting department:Si Wenpei

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2023

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

ASSETS	Note	31 December 2023 Company	31 December 2022 Company
Current assets			
Cash at bank and on hand		20,921,668	27,039,710
Notes receivable	16(1)	415,157	399,329
Accounts receivable	16(2)	10,795,866	10,193,882
Prepayments		8,587,029	12,345,129
Other receivables	16(3)	4,755,655	5,557,032
Inventories		199,342	130,080
Contract assets		2,807,751	4,031,958
Current portion of non-current assets		1,837,660	269,000
Other current assets		1,656,617	3,116,576
Total current assets		51,976,745	63,082,696
Non-current assets			
Long-term receivables		1,986,667	5,462,259
Long-term equity investments	16(4)	56,443,194	48,075,790
Other non-current financial assets		1,738,119	1,787,054
Investment properties		108,181	115,261
Fixed assets		1,407,575	1,542,295
Construction in progress		63,070	51,153
Right-of-use assets		58,248	39,859
Intangible assets		2,187,161	2,377,271
Long-term prepaid expenses		12,194	23,041
Deferred tax assets		1,953,816	2,309,575
Other non-current assets		6,794,755	5,817,118
Total non-current assets		72,752,980	67,600,676
TOTAL ASSETS		124,729,725	130,683,372

COMPANY BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2023

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2023 Company	31 December 2022 Company
Current liabilities			
Short-term borrowings		3,854,615	5,811,000
Notes payable		926,964	4,410,137
Accounts payable		24,788,757	24,289,333
Advances from customers		1,003	-
Contract liabilities		9,208,854	11,573,885
Employee benefits payable		1,185,300	1,097,799
Taxes payable		74,377	42,351
Other payables		2,055,787	2,723,703
Current portion of non-current liabilities		10,161,910	6,098,445
Other current liabilities		805,958	1,416,490
Total current liabilities		53,063,525	57,463,143
Non-current liabilities			
Long-term borrowings		33,507,994	17,963,957
Lease liabilities		38,374	15,528
Long-term payables		122,750	17,537,377
Other non-current liabilities		157,781	148,060
Total non-current liabilities		33,826,899	35,664,922
Total liabilities		86,890,424	93,128,065
Shareholders' equity			
Share capital		15,579,809	15,579,809
Less: Treasury stocks		-	-
Capital surplus	16(5)	20,592,836	20,592,836
Other comprehensive income	16(6)	(30,627)	(30,627)
Surplus reserve	16(7)	2,639,825	2,639,825
Accumulated losses	16(8)	(942,542)	(1,226,536)
Total shareholders' equity		37,839,301	37,555,307
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		124,729,725	130,683,372

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

Legal representative:Wu Lei   Principal in charge of accounting: Zhou Zhiyan   Head of accounting department:Si Wenpei

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Item	Note	For the year ended 31 December 2023 Consolidated	For the year ended 31 December 2022 Consolidated	For the year ended 31 December 2023 Company	For the year ended 31 December 2022 Company
Total revenue		114,797,077	117,623,118	21,537,882	21,242,991
Including: Revenue	4(56), 16(9)	114,218,209	116,985,807	21,537,882	21,242,991
Interest income		576,469	636,982	-	-
Fee and commission income		2,399	329	-	-
Total operating costs		(112,567,499)	(117,467,341)	(23,536,945)	(25,180,992)
Including: Operating cost	4(56), 16(9)	(93,117,308)	(98,496,897)	(20,462,061)	(21,426,401)
Interest costs		(86,519)	(87,168)	-	-
Fee and commission expenses		(719)	(754)	-	-
Taxes and surcharges	4(57)	(706,729)	(531,757)	(43,373)	(31,936)
Selling and distribution expenses	4(58)	(4,209,744)	(3,853,301)	(224,339)	(307,776)
General and administrative expenses	4(59)	(7,995,268)	(8,167,949)	(1,224,047)	(1,647,316)
Research and development expenses	4(60)	(5,369,294)	(5,028,466)	(283,933)	(213,561)
Financial expenses - net	4(61)	(1,081,918)	(1,301,049)	(1,299,192)	(1,554,002)
Including: Interest expenses		(1,832,613)	(1,757,576)	(1,718,158)	(1,895,424)
Interest income		642,243	504,533	380,754	348,064
Add: Other income	4(65)	1,474,030	1,077,991	92,294	38,650
Investment income	4(66), 16(10)	2,567,300	1,113,637	1,932,602	1,620,186
Including: Share of profit of associates and joint ventures		1,025,375	858,533	553,583	627,482
Losses arising from derecognition of financial assets measured at amortised cost		(22,034)	(8,992)	-	-
Exchange gains		9,076	21,394	-	-
Losses on changes in fair value	4(67)	(314,787)	(715,315)	(75,450)	(154,427)
Asset impairment losses	4(63)	(2,275,011)	(2,144,917)	(185,182)	(1,007,068)
(Losses on)/Reversal of credit impairment	4(64)	(1,182,059)	(2,093,465)	259,599	(242,086)
Gains on disposal of assets	4(68)	847,003	560,440	648,893	515,573
Operating profit/(loss)		3,355,130	(2,024,458)	673,693	(3,167,173)
Add: Non-operating income	4(69)	142,280	223,041	2,001	1,810
Less: Non-operating expenses	4(70)	(202,601)	(173,881)	(35,941)	(5,600)
Total profit/(loss)		3,294,809	(1,975,298)	639,753	(3,170,963)
Less: Income tax expenses	4(71)	(1,139,883)	(337,708)	(355,759)	39,323
Net profit/(loss)		2,154,926	(2,313,006)	283,994	(3,131,640)
Attributable to shareholders of the parent company		285,155	(3,566,484)		
Minority interests		1,869,771	1,253,478		

CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Item	Note	For the year ended 31 December 2023 Consolidated	For the year ended 31 December 2022 Consolidated	For the year ended 31 December 2023 Company	For the year ended 31 December 2022 Company
Other comprehensive income, net of tax		48,750	489,995	-	-
Attributable to shareholders of the parent company		46,492	484,938	-	-
Other comprehensive income that will not be subsequently reclassified to profit or loss		(2,488)	22,390	-	-
Changes arising from remeasurement of net liability or net asset of defined benefit plan		(2,488)	22,390	-	-
Other comprehensive income that will be subsequently reclassified to profit or loss		48,980	462,548	-	-
Changes in fair value of other debt investments		185	(10,419)	-	-
Provision for credit impairment of other debt investments and receivables financing		(12,903)	(15,981)	-	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(931)	1,821	-	-
Differences on translation of foreign currency financial statements		62,629	487,127	-	-
Attributable to minority shareholders		2,258	5,057	-	-
Total comprehensive income		2,203,676	(1,823,011)	283,994	(3,131,640)
Attributable to shareholders of the parent company		331,647	(3,081,546)		
Attributable to minority shareholders		1,872,029	1,258,535		
Earnings per share					
Basic earnings per share (RMB Yuan)	4(72)	RMB0.018	RMB(0.228)		
Diluted earnings per share (RMB Yuan)	4(72)	RMB0.018	RMB(0.228)		

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

Legal representative:Wu Lei Principal in charge of accounting: Zhou Zhiyan Head of accounting department:Si Wenpei

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Item	Note	For the year ended 31 December 2023 Consolidated	For the year ended 31 December 2022 Consolidated	For the year ended 31 December 2023 Company	For the year ended 31 December 2022 Company
Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		127,916,994	117,510,597	20,640,041	23,549,604
Refund of taxes and surcharges		841,590	1,563,829	554	83,461
Cash received relating to other operating activities	4(73)	6,261,543	9,810,329	521,138	456,300
Sub-total of cash inflows		135,020,127	128,884,755	21,161,733	24,089,365
Cash paid for goods and services		98,765,844	93,675,145	21,437,558	22,207,465
Cash paid to and on behalf of employees		12,639,862	12,032,673	644,851	576,671
Payments of taxes and surcharges		4,586,063	4,498,553	87,156	91,701
Cash paid relating to other operating activities	4(73)	11,231,666	10,195,569	1,212,396	2,209,044
Sub-total of cash outflows		127,223,435	120,401,940	23,381,961	25,084,881
Net cash flows from/(used in) operating activities	4(74)	7,796,692	8,482,815	(2,220,228)	(995,516)
Cash flows from/(used in) investing activities					
Cash received from disposal of investments	4(73)	19,383,483	11,885,630	715,201	2,874,143
Cash received from returns on investments		1,297,579	1,245,244	1,950,728	1,754,091
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,130,854	503,054	730,780	220,413
Net cash received from disposal of subsidiaries and other business units	4(74)	1,799,433	195,679	-	-
Cash received relating to other investing activities	4(73)	-	3,763,013	7,933,173	1,535,000
Sub-total of cash inflows		23,611,349	17,592,620	11,329,882	6,383,647
Cash paid to acquire fixed assets, intangible assets and other long-term assets		4,228,494	4,045,088	69,689	64,289
Cash paid to acquire investments	4(73)	16,284,679	20,848,343	11,702,039	484,929
Net cash paid to acquire subsidiaries and other business units		12,970	15,719	-	-
Cash paid relating to other investing activities	4(73)	2,733,057	-	898,068	5,824,700
Sub-total of cash outflows		23,259,200	24,909,150	12,669,796	6,373,918
Net cash flows from/(used in) investing activities		352,149	(7,316,530)	(1,339,914)	9,729
Cash flows (used in)/from financing activities					
Cash received from capital contributions		439,581	154,943	-	-
Including: Cash received by subsidiaries from capital contributions by minority shareholders		439,581	154,943	-	-
Cash received from borrowings		27,188,479	28,041,765	29,181,592	20,463,917
Cash received from bonds		2,000,000	3,750,000	-	-
Sub-total of cash inflows		29,628,060	31,946,708	29,181,592	20,463,917
Cash repayments of borrowings		16,497,121	25,606,271	13,767,162	19,946,352
Cash repayments of bonds		4,500,000	3,000,000	2,500,000	-
Cash payments for distribution of dividends, profits or interest expenses		3,582,855	3,207,796	1,777,630	1,956,335
Including: Cash payments for dividends or profits to minority shareholders by subsidiaries		1,864,023	1,668,109	-	-
Cash paid for acquisition of minority interests		10,004,215	-	-	-
Cash paid relating to other financing activities	4(73)	8,769,806	1,389,609	10,039,732	383,702
Sub-total of cash outflows		43,353,997	33,203,676	28,084,524	22,286,389
Net cash flows (used in)/from financing activities		(13,725,937)	(1,256,968)	1,097,068	(1,822,472)
Effect of foreign exchange rate changes on cash and cash equivalents		65,707	294,462	39,205	87,549
Net (decrease)/increase in cash and cash equivalents		(5,511,389)	203,779	(2,423,869)	(2,720,710)
Add: Cash and cash equivalents at the beginning of the year		43,785,108	43,581,329	16,934,710	19,655,420
Cash and cash equivalents at the end of the year	4(74)	38,273,719	43,785,108	14,510,841	16,934,710

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

Legal representative:Wu Lei　　Principal in charge of accounting: Zhou Zhiyan　　Head of accounting department:Si Wenpei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

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

		Attributable to shareholders of the parent company									
Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-tota	Minority interests	Total shareholders' equity
Balance at 31 December 2021		15,705,971	22,045,560	(382,271)	(509,829)	149,948	5,906,524	15,218,425	58,134,328	40,010,025	98,144,353
Movements for the year ended 31 December 2022											
Total comprehensive income											
Net loss		-	-	-	-	-	-	(3,566,484)	(3,566,484)	1,253,478	(2,313,006)
Other comprehensive income	4(53)	-	-	-	484,938	-	-	-	484,938	5,057	489,995
Total comprehensive income for the year		-	-	-	484,938	-	-	(3,566,484)	(3,081,546)	1,258,535	(1,823,011)
Capital contribution and withdrawal by shareholders											
Injection of capital from minority shareholders	4(52)	-	16,095	-	-	-	-	-	16,095	84,223	100,318
Addition of subsidiaries	5	-	-	-	-	-	-	-	-	84,241	84,241
Repurchase and cancellation of shares under equity incentive plan	4(51)	(126,162)	(256,109)	382,271	-	-	-	-	-	-	-
Disposal of subsidiaries	5	-	-	-	-	-	-	-	-	(423,873)	(423,873)
Share-based payments included in owners' equity	4(52)	-	32,276	-	-	-	-	-	32,276	-	32,276
Others		-	-	-	-	-	-	-	-	29	29
Profit distribution											
Distribution to minority shareholders of subsidiaries	4(55)	-	-	-	-	-	-	(209,305)	(209,305)	(1,615,868)	(1,825,173)
Appropriation to staff and workers' bonus and welfare fund	4(55)	-	-	-	-	-	-	(23,373)	(23,373)	(65,866)	(89,239)
Special reserve											
Increase in the current year		-	-	-	-	75,606	-	-	75,606	39,719	115,325
Use in the current year		-	-	-	-	(81,768)	-	-	(81,768)	(39,311)	(121,079)
Balance at 31 December 2022		15,579,809	21,837,822	-	(24,891)	143,786	5,906,524	11,419,263	54,862,313	39,331,854	94,194,167

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

FOR THE YEAR ENDED 31 DECEMBER 2023

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

		Attributable to shareholders of the parent company									
Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total	Minority interests	Total shareholders' equity
Balance at 31 December 2022		15,579,809	21,837,822	-	(24,891)	143,786	5,906,524	11,419,263	54,862,313	39,331,854	94,194,167
Movements for the year ended 31 December 2023											
Total comprehensive income											
Net profit		-	-	-	-	-	-	285,155	285,155	1,869,771	2,154,926
Other comprehensive income	4(53)	-	-	-	46,492	-	-	-	46,492	2,258	48,750
Total comprehensive income for the year		-	-	-	46,492	-	-	285,155	331,647	1,872,029	2,203,676
Capital contribution and withdrawal by shareholders											
Injection of capital from minority shareholders	4(52)	-	157,368	-	-	-	-	-	157,368	246,012	403,380
Addition of subsidiaries	5	-	-	-	-	-	-	-	-	55,703	55,703
Equity transactions with minority shareholders	4(52)	-	(2,518,290)	-	-	-	-	-	(2,518,290)	(7,485,925)	(10,004,215)
Disposal of subsidiaries	5	-	-	-	-	-	-	-	-	(28,965)	(28,965)
Capital withdrawal by minority shareholders		-	-	-	-	-	-	-	-	(8,130,679)	(8,130,679)
Profit distribution											
Distribution to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(1,659,779)	(1,659,779)
Appropriation to staff and workers' bonus and welfare fund	4(55)	-	-	-	-	-	-	(25,420)	(25,420)	(68,910)	(94,330)
Special reserve											
Appropriation in the current year		-	-	-	-	60,649	-	-	60,649	20,664	81,313
Use in the current year		-	-	-	-	(70,379)	-	-	(70,379)	(23,252)	(93,631)
Balance at 31 December 2023		15,579,809	19,476,900	-	21,601	134,056	5,906,524	11,678,998	52,797,888	24,128,752	76,926,640

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

Legal representative:Wu Lei Principal in charge of accounting: Zhou Zhiyan Head of accounting department:Si Wenpei

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings/ (Accumulated losses)	Total shareholders' equity
Balance at 31 December 2021		15,705,971	20,816,669	(382,271)	(30,627)	2,639,825	1,905,104	40,654,671
Movements for the year ended 31 December 2022								
Total comprehensive income								
Net loss								
Other comprehensive income		-	-	-	-	-	(3,131,640)	(3,131,640)
Total comprehensive income for the year	16(6)	-	-	-	-	-	-	-
Share-based payments included in owners' equity		-	-	-	-	-	(3,131,640)	(3,131,640)
Repurchase and cancellation of	16(5)	-	32,276	-	-	-	-	32,276
shares under equity incentive plan		(126,162)	(256,109)	382,271	-	-	-	-
Balance at 31 December 2022		15,579,809	20,592,836	-	(30,627)	2,639,825	(1,226,536)	37,555,307

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

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Surplus reserve	Accumulated losses	Total shareholders' equity
Balance at 31 December 2022		15,579,809	20,592,836	-	(30,627)	2,639,825	(1,226,536)	37,555,307
Movements for the year ended 31 December 2023								
Total comprehensive income		-	-	-	-	-	-	-
Net profit		-	-	-	-	-	283,994	283,994
Total comprehensive income for the year		-	-	-	-	-	283,994	283,994
Balance at 31 December 2023		15,579,809	20,592,836	-	(30,627)	2,639,825	(942,542)	37,839,301

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

Legal representative:Wu Lei Principal in charge of accounting: Zhou Zhiyan Head of accounting department:Si Wenpei

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

1 GENERAL INFORMATION

Shanghai Electric Group Co., Ltd. ("the Company"), formerly Shanghai Electric (Group) Company Limited ("Electric Limited"), is a joint venture co-funded by Shanghai Electric Holdings Group Co., Ltd. (formerly Shanghai Electric (Group) Corporation, hereinafter "Electric Holdings"), Guangdong Zhujiang Investment Co., Ltd., Fuxi Investment Holding Co., Ltd. ("Fuxi Investment"), Shenergy (Group) Co., Ltd ("Shenergy Group"), Shanghai Baosteel Group Corporation ("Baosteel Group") and Shantou Mingguang Investment Co., Ltd. on 1 March 2004 upon the approval of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (Hu Guo Zi Wei Chong [2004] No. 79). The original registered capital of the Company was RMB9,010,950 thousand, including capital contribution by Electric Holdings with its equity and fixed assets in 17 companies at the considerations of RMB6,257,765 thousand and RMB3,185 thousand respectively, accounting for 69.48% of shareholding, and cash contribution of RMB2,750,000 thousand by other shareholders, accounting for 30.52% of shareholding.

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

On 8 September 2004, pursuant to the resolution at the 5th shareholders' meeting, and upon the approval of the Shanghai Municipal People's Government in the Reply on Approving the Setting Up of Shanghai Electric Group Co., Ltd. (Hu Fu Fa Gai Shen [2004] No. 008) dated 28 September 2004, Electric Limited was changed into a stock limited liability company. After the change, the share capital was RMB9,189,000 thousand.

On 24 March 2005, pursuant to the resolution at the 4th session of the 1st Board of Director, and as approved by China Securities Regulatory Commission ("CSRC") in Zheng Jian Guo He Zi [2005] No. 6 dated 26 January 2005, the Company issued overseas listed foreign shares with a par value of RMB1 per share in Hong Kong, with an issuing size of 2,702,648 thousand shares. Meanwhile, Electric Holdings and Shenergy Group reduced their state-owned shares by selling 270,264 thousand shares. The issue price of the public offering was HKD1.70 per share. After the issue, the share capital of the Company increased to RMB11,891,648 thousand.

On 12 November 2008, pursuant to the resolution at the shareholders' meeting, the Company issued 616,039 thousand RMB-dominated ordinary shares with a par value of RMB1 per share publicly to all shareholders of Shanghai Electric Power T&D Co., Ltd. excluding the Company to merge with Shanghai Electric Power T&D Co., Ltd., upon the approval of CSRC in the Reply on Approving the Merger of Shanghai Electric Group Co., Ltd. with Shanghai Electric Power T&D Co., Ltd. (Zheng Jian Xu Ke [2008] No. 1262) and the Reply on Approving the Initial Public Offering of Shanghai Electric Group Co., Ltd. (Zheng Jian Xu Ke [2008] No. 1233). After this issue, the share capital of the Company increased to 12,507,687 thousand shares.

1 GENERAL INFORMATION (CONT'D)

On 13 May 2010, pursuant to the resolution at the shareholders' meeting, the Company issued 315,940 thousand RMB-dominated ordinary shares with a par value of RMB1 per share privately, with an issue price of RMB7.03 per share, upon the approval of CSRC in the Reply on Approving the Non-public Offering of Shanghai Electric Group Co., Ltd. (Zheng Jian Xu Ke [2010] No. 497). After this non-public issue, the share capital of the Company increased to 12,823,627 thousand shares.

On 18 January 2016, pursuant to the resolutions at the 1st interim shareholders' meeting in 2016, the 1st A-share shareholders' meeting in 2016 and the 1st H-share shareholders' meeting in 2016, the Company issued 606,843 thousand RMB-dominated ordinary shares with a par value of RMB1 per share and an issue price of RMB10.41 per share to Electric Holdings, upon the approval of CSRC in the Reply on Approving Shanghai Electric Group Co., Ltd. for Issuing Shares to Shanghai Electric (Group) Corporation to Purchase Assets and Raise Matching Fund (Zheng Jian Xu Ke [2016] No. 905) in order to make up the difference in the equity replacement where the Company replaces at a transaction consideration of RMB1 of its 100% equity in Shanghai Heavy Machinery Plant Co., Ltd. (SHMP) with Electric Holdings' several items of equities, including 100% equity in Shanghai Electric Industrial Co., Ltd. (Electric Industrial) and Shanghai Blower Works Co., Ltd. (SBW), 61% equity in Shanghai Denso Fuel Injection Co., Ltd. (Shanghai Denso) and 14.79% in Shanghai Rail Traffic Equipment Development Co., Ltd. (SRTED), and to acquire the land use rights of 14 parcels of land owned by Electric Holdings and the ancillary buildings and other assets therein. In 2016, the Company completed the non-public issue of 606,843 thousand RMB-dominated ordinary shares.

In 2017, as approved by the 37th and 42nd meetings of the 4th Board of Directors, the 1st interim shareholders' meeting in 2017, the 1st A-share shareholders' meeting in 2017 and the 1st H-share shareholders' meeting in 2017, the Company planned to issue 877,918 thousand RMB-dominated ordinary shares to Electric Holdings with an issue price of RMB7.55 per share in order to acquire 47.18% domestic shares of Shanghai Prime Machinery Company Limited (PMC), 50.10% equity in Thales SEC Transportation System Limited Company ("Thales SEC") (formerly Thales Saic Transportation System Limited Company), 100% equity in Shanghai Electric Group Property Company Limited ("Shanghai Electric Group Property"), the land use rights of 26 parcels of land owned by Electric Holdings and the ancillary buildings and other assets therein (hereinafter "Issuance of Shares to Purchase Assets"). Later, the Company received the approval of the issuance of 877,918 thousand shares to Electric Holdings from CSRC in Reply on Approving Shanghai Electric Group Co., Ltd. for Issuing Shares to Shanghai Electric (Group) Corporation to Purchase Assets and Raise Matching Funds (Zheng Jian Xu Ke [2017] No. 1390) dated 31 July 2017. In 2017, the Company completed the non-public issue of 877,918 thousand RMB-dominated ordinary shares.

In 2017, as approved by the 37th and 42nd meetings of the 4th Board of Directors of the Company, the 1st interim shareholders' meeting in 2017, the 1st A-share shareholders' meeting in 2017 and the 1st H-share shareholders' meeting in 2017, the Company issued non-public offering shares to no more than 10 specific investors including Electric Holdings and Shanghai Guosheng Group Investment Co., Ltd. to raise matching fund not exceeding RMB3 billion.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

1 GENERAL INFORMATION (CONT'D)

On 31 July 2017, the Company received approval of non-public offering of shares to raise matching fund not exceeding RMB3 billion by CSRC in the Reply on Approving Shanghai Electric Group Co., Ltd. for Issuing Shares to Shanghai Electric (Group) Corporation to Purchase Assets and Raise Matching Fund (Zheng Jian Xu Ke [2017] No. 1390). As at 20 October 2017, the Company completed the issuance of 416,089 thousand RMB-dominated ordinary shares with an issue price of RMB7.21 per share.

On 16 February 2015, the Company issued 6 million of A-share convertible bonds ("Electric Convertible Bonds", code: 113008) with a par value of RMB100 per bond and the total amount was RMB6 billion. Such convertible bonds can be converted into the Company's A shares at a price of RMB10.72 per share from 3 August 2015. Such bond interest is calculated annually by single interest method and the principal is repaid in a lump sum upon maturity. As of the maturity date of the convertible bonds, the accumulative number of shares formed by the conversion was 903,762 thousand shares, and the Company's shares increased accordingly to 15,705,971 thousand shares.

On 29 April 2019, the Company received approval of the equity incentive plan by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government in the Reply on Approving Shanghai Electric Group Co., Ltd. for Implementing the Restricted Shares Incentive Plan (Hu Guo Zi Wei Fen Pei [2019] No. 80). On 6 May 2019, as approved by the Company's 13th of the 5th Session of the Board of Directors of the Company, the 1st interim shareholders' meeting in 2019, the 1st A-share shareholders' meeting in 2019, and the 1st H-share shareholders' meeting in 2019, the Company granted 133,578 thousand shares with the granting price of RMB3.03 per share.

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

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

On 17 January 2022, the Proposal on Termination of the Restricted A Shares Under the Incentive Plan and Repurchase and Cancellation of Granted but Locked-up Restricted Shares, was reviewed and approved at the 1st extraordinary shareholders' meeting in 2022, 1st A-share shareholders' meeting in 2022 and the 1st H-share shareholders' meeting in 2022. The Company plans to repurchase and cancel a total of 126,162 thousand restricted shares that have been granted to 2,099 participants but not yet unlocked on 17 March 2022. After completion of the repurchase and cancellation, the Company's shares were reduced by 126,162 thousand. As at 31 December 2023, the shares of the Company were 15,579,809 thousand.

1 GENERAL INFORMATION (CONT'D)

In addition, Electric Holdings increased or reduced the Company's shares through the centralised price bidding system of Shanghai Stock Exchange ("SSE"). As at 31 December 2023, Electric Holdings held 7,442,102 thousand A shares and 313,642 thousand H shares of the Company, totalling 7,755,744 thousand shares, accounting for 49.78% of the total share capital of the Company.

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

The Company performed the business registration formalities for integrating the original business license, the organisation code certificate, and the certificate of taxation registration into one document on 17 February 2016. After integration, the united social credit code of the Company's business license is 91310000759565082B. Other registration items on the Company's business license remain the same. The RMB-denominated ordinary A shares and the overseas listed foreign H shares issued by the Company were listed on SSE and the Stock Exchange of Hong Kong ("HKSE"), respectively. As at 31 December 2023, the share capital structure of the Company was detailed in Note 4(51).

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

- Energy equipment business segment: design, manufacture and sales of nuclear power equipment, energy storage equipment, coal-fired power generation and auxiliary equipment, gas power generation equipment, wind power equipment, hydrogen equipment, photovoltaic equipment, high-end chemical equipment; Provision of power grid and industrial intelligent power supply system solutions;

- Industrial equipment business segment: design, manufacture and sales of elevators, large and medium sized electrical motors, intelligent manufacturing equipment, industrial base parts, construction and industrialisation equipment; and

- Integration service business segment: provision of energy, environmental protection and automation engineering and services, including all kinds of traditional and new energy, comprehensive utilisation of solid waste, sewage treatment, flue gas treatment, rail transit, etc; provision of industrial Internet services; provision of financial services, including financial leasing, factoring, asset management, insurance brokerage, etc; provision of park and property management services based on industrial real estate, etc.

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

These financial statements were authorised for issue by the Company's Board of Directors on 28 March 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

Details of the Group's critical judgements, critical accounting estimates and key assumptions applied in determining significant accounting policies are set out in Note 2(32).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the year ended 31 December 2023 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely presented the consolidated and company's financial position of the Company as at 31 December 2023 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

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

(4) Recording currency

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

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

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

(6) Preparation of consolidated financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and total comprehensive incomes for the period attributable to the Company are recognised as minority interests, net profit attributable to minority interests and total comprehensive incomes attributable to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of owners' equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

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

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b)Translation of foreign currency financial statements

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

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

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

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

Debt instruments

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

Measured at amortised cost:

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Debt instruments (Cont'd)

Measured at fair value through other comprehensive income:

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

Measured at fair value through profit or loss:

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

Equity instruments

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

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment

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

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

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

As at each balance sheet date, the ECL of financial instruments at different stages other than aforesaid notes receivable, accounts receivable, receivables financing, contract assets and finance lease receivables is measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

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

For the financial instruments in Stage 1 and Stage 2, the interest income is calculated based on book balance without deduction of impairment provision and the effective interest rate. For the financial instrument in Stage 3, the interest income is calculated based on amortised cost by using book balance less impairment provision appropriated and the effective interest rate.

For trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics and occurrence of credit impairment, the Group evaluated the distribution of expected cash flows under multiple scenarios based on historical credit loss experience, operating model, current situations and forecasts of future conditions of contract counterparties under different situations, taking into account the professional legal advice from external lawyers and the asset preservation related to the litigation, and made corresponding provision for ECL according to ECL rate and the related probability weight under different scenarios.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

The credit risk characteristics of financial assets for which ECL is calculated on an individual basis vary significantly from such other financial assets. Receivables without occurrence of credit impairment or the ECL cannot be estimated for an individual financial asset at a reasonable cost, the Group groups the receivables based on its judgement whether there are significant differences in customers' credit risk characteristics and measures the ECL based on groups. Basis for determining groupings is as follows:

1. Notes receivable

Grouping 1	Bank acceptance notes
Grouping 2	Trade acceptance notes

2. Accounts receivable

Grouping 1	Accounts receivable ageing by industry, using the overdue date as the starting point of ageing
Grouping 2	Sovereign credit accounts receivable, using the overdue date as the starting point of ageing

3. Receivables financing

Grouping 1	Bank acceptance notes
Grouping 2	Accounts receivable ageing

4. Contract assets

Grouping	Contract assets

5. Other receivables

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

6. Loans and discounts

Grouping 1	Loans and advances to customers
Grouping 2	Discount of notes

7. Long-term receivables

Grouping	Finance lease receivables

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

8. Other debt investments
Grouping Other debt investments

9. Financial assets purchased under resale agreements
Grouping Financial assets purchased under resale agreements

For bank acceptance notes receivable and receivables financing arising from sales of goods and rendering of services in the ordinary course of operating activities which are classified into groups, the Group calculates the ECL by referring to historical experience of credit losses, combining with the current situation and forecast of economic situation in the future, and based on exposure at default and the lifetime ECL rate.

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

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

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

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(9) Financial instruments (Cont'd)

(b) Financial liabilities

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

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

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

(c) Determination of fair value of financial instruments

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

(10) Inventories

(a) Classification

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

(b) Valuation method for inventory issued

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

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

(10) Inventories (Cont'd)

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

Provision for a decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. For inventories that are produced and sold in the same region and with the same or similar end uses, the Group makes the provision for decline in the value of inventories on an aggregate basis.

(d) TThe Group adopts the perpetual inventory system.

(11) Purchased under resale agreements transactions

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

(12) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

(a) Determination of investment cost (Cont'd)

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

(b) Subsequent measurement and recognition of profit or loss

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

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

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee.

Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised in the Company's financial statements. In preparing the consolidated financial statements, for the portion of unrealised gains and losses attributable to the Group arising from downstream transactions in which the Group invests or sells assets to the investee, the Group offsets the portion attributable to the Group in relation to unrealised income and costs or profit or loss from disposal of assets and adjusts the investment income accordingly on the basis of the offsetting in the Company's financial statements; for the portion of unrealised gains and losses attributable to the Group arising from upstream transactions in which the investee invests or sells assets to the Group, the Group offsets the portion of the unrealised gains and losses included in the carrying amount of the relevant assets attributable to the Group and adjusts the carrying amount of long-term equity investments accordingly on the basis of the offsetting in the Company's financial statements. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

(13) Investment properties

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(13) Investment properties (Cont'd)

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation method for fixed assets

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

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

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

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

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

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

(14) Fixed assets (Cont'd)

(d) Disposal of fixed assets

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

(15) Construction in progress

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

(16) Borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(17) Intangible assets

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

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

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

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

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

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

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

The Group's expenditures on research and development mainly include expenditures on materials consumed for the implementation of the Group's research and development activities, salaries of employees in the research and development department, depreciation and amortisation of assets such as equipment and software used for research and development activities, research and development testing, research and development technical service fees and licensing fees.

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

(17) Intangible assets (Cont'd)

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

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

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

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

(18) Long-term prepaid expenses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

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

(a) Short-term employee benefits

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

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

(20) Employee benefits (Cont'd)

(b) Post-employment benefits

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

Basic pensions

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

Defined benefit plan

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

(c) Termination benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(21) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved by the shareholders' meeting.

(22) Provisions

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

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

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

The loss provision of financial guarantee contracts and provision for loan commitments based on the ECL are presented as provisions by the Group.

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

(23) Revenue recognition

The Group recognises revenue at the amount of the consideration which the Group expects to be entitled to receive when the customer obtains control over relevant goods or services. If there is a variable consideration in the contract, the Group determines the best estimate of the variable consideration based on the expected value or the most likely amount, and the transaction price including the variable consideration does not exceed the cumulative recognized revenue when the relevant uncertainty is eliminated for which a material reversal would occur. On the balance sheet date, the Group re-estimates the variable consideration that should be included in the transaction price.

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

Revenue from sales of goods

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

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

(23) Revenue recognition (Cont'd)

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

Revenue from rendering of services

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

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

Revenue from construction services

The Group provides construction services to external parties and the revenue is recognised according to the stage of performance. The revenues for the contracts of the Group were recognised by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts. At the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(23) Revenue recognition (Cont'd)

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

Revenue from PPP project contracts

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

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

(24) Government grants

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

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

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

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

Monetary government grants which are used to compensate the relevant costs or losses in the subsequent period are recognized as deferred revenue and recorded into the current profit and loss during the period when the relevant costs or losses are recognised. If it is used to compensate the incurred costs or losses, it will be directly recorded into the current profit and loss.

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

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

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

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for a temporary difference resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination where the initial recognition of assets or liabilities does not result in equal taxable temporary differences and deductible temporary differences, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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

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

Deferred tax assets and deferred tax liabilities are offset when:

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

(26) Share-based payments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

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

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

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

(27) Leases

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

<u>The Group as the lessee</u>

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

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

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

(27) Leases (Cont'd)

The Group as the lessee (Cont'd)

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

The Group as the lessor

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

(a) Operating leases

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

(b) Finance leases

At the commencement date, the Group recognises the lease payments receivable under a finance lease and derecognises the relevant assets. When the finance lease receivables are initially measured, the net lease investment is recorded as the carrying amount of the finance lease receivables. The net lease investment represents the sum of the unguaranteed residual value and the present value of the lease payments receivable that have not been received at the lease commencement date discounted at the interest rate implicit in the lease. The finance lease receivables are presented as long-term receivables; finance lease receivables due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

(c) Sale-leaseback

The Group assesses whether the transfer of assets in the sale-leaseback transactions qualifies as a sale in accordance with Note 2(23).

When the transfer of assets in the sale-leaseback transactions qualifies as a sale, the Group, as the lessor, accounts for the asset acquisition and the asset lease in accordance with the above provisions. When the transfer of assets in the sale-leaseback transactions does not qualify as a sale, the Group, as the lessor, does not recognise the transferred assets. Instead, it recognises a financial asset with the equivalent amount of the transferred income, which is recognised as a receivable from the sale-leaseback transaction. The sale-leaseback receivable is presented as long-term receivables. The sale-leaseback receivable due within one year (inclusive) as from the balance sheet date is presented as current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(28) Derivative financial instruments and hedging instruments

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

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

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

(a) Fair value hedges

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

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

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

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

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

(b) Cash flow hedge

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

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

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

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

(c) Hedge of net investments in a foreign operation

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

For hedging instruments that are designated as hedging instruments and qualified as a hedge of net investments in a foreign operation, the effective portion is included in other comprehensive income; while the ineffective portion of the hedge is recognised in the income statement for the current period.

Gains and losses accumulated in other comprehensive income are included in the profit or loss for the current period when the foreign operation is all or partially disposed of.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(29) Held for sale and discontinued operations

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

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

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

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

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

(30) Segment information

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

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

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

(31) Debt restructuring

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

The Group as the creditor

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

In addition, when debt restructuring by modifying other terms results in the derecognition of the original debt, the Group initially measures the restructured debt at fair value in accordance with the modified terms, and the difference between the recognised amount of the restructured debt and the carrying amount of the original debt at the date of its derecognition is recognised in profit or loss for the current period. If the modification of other terms does not result in derecognition of the original debt, the original debt continues to be subsequently measured at its original classification, and the gains or losses arising from the modification is recognised in profit or loss for the current period.

The Group as the debtor

As the debtor, if a debt restructuring is carried out by way of asset settlement, the Group shall derecognise the relevant assets and the liabilities settled when the conditions for derecognition are met, and the difference between the carrying amount of the debts settled and the carrying amount of the assets transferred is recognised in profit or loss for the current period.

In addition, when debt restructuring by modifying other terms results in the derecognition of the original debt, the Group initially measures the restructured debt at fair value in accordance with the modified terms, and the difference between the recognised amount of the restructured debt and the carrying amount of the original debt at the date of its derecognition is recognised in profit or loss for the current period. If the modification of other terms does not result in derecognition of the original debt, the original debt continues to be subsequently measured at its original classification, and the gains or losses arising from the modification is recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(32) Critical accounting estimates and judgements

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

(a) Critical judgements in applying the accounting policies

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

Consolidation scope

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

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

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

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

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

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

Measurement of ECL

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

When considering forward-looking information, the Group takes different macroeconomic scenarios into consideration. In 2023, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 30% and 10% (2022: 60%, 30% and 10%) respectively. The Group regularly monitors and reviews important macroeconomic assumptions and parameters for calculating ECL, including the risk of economic downturn, external market environment, technological environment, changes in customer profile, gross domestic product, production price index, industrial added value, broad money supply and completed investments in fixed-assets. In 2023, the Group has considered the uncertainties under different macroeconomic scenarios and updated the relevant assumptions and parameters accordingly. The key macroeconomic parameters applied in various scenarios were mainly as follows:

	Economic scenarios		
	Benchmark	**Unfavourable**	**Favourable**
Gross domestic product	4.76%	3.90%	5.10%
Production price index	0.16%	-0.80%	0.60%
Industrial added value	4.62%	4.20%	5.00%
Broad money supply	9.73%	8.80%	10.90%
Completed investments in fixed assets	4.77%	2.70%	8.50%

In 2022, the key macroeconomic parameters applied by the Group in various scenarios were as follows:

	Economic scenarios		
	Benchmark	**Unfavourable**	**Favourable**
Gross domestic product	5.10%	4.40%	6.70%
Production price index	-0.06%	-1.80%	2.40%
Industrial added value	5.47%	4.10%	7.00%
Broad money supply	9.57%	8.10%	10.30%
Completed investments in fixed assets	5.87%	3.40%	8.80%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

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

Classification of financial assets

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

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

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

Determination of significant increase in credit risk and credit-impaired

When the Group classifies financial instruments into different stages, its determination for significant increase in credit risk and credit-impaired is as follows:

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

Judgement of the Group on the occurred credit impairment is mainly based on whether it meets one or more of the following conditions: the debtor is suffering significant financial difficulties, engaged in other debt restructuring, or probably bankrupt, etc.

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

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

(b) Critical accounting estimates and key assumptions

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

Revenue recognition of construction services

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

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

Impairment of inventories to net realisable value

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

Recognition of provisions

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

Enterprise income tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

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

Deferred tax assets

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled. When it is possible that taxable profit will be available to offset deductible losses, deferred tax assets are recognised with all unutilised deductible losses. It requires management to exercise significant judgement to estimate the time and amount of future taxable profit, in combination of tax planning strategy, so as to determine the amount of deferred tax assets.

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

Estimated useful lives of fixed assets

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

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

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

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

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

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

Impairment of goodwill

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

The Group uses the market approach to determine the fair value of an asset group, net of disposal costs, by estimating the fair value of the asset group after making the necessary adjustments to the share price of the listed company or the enterprise value divided by the ratio of EBITDA, which involves key assumptions such as the share price of the listed company, the ratio of the enterprise value of the listed company divided by the ratio of EBITDA, the controlling interest premium, and the lack of liquidity discounts, etc.

If management revises the gross margin, the growth rate in the forecast period and the growth rate in the stable period that are used in the calculation of the future cash flows of asset groups and groups of asset groups, while the revised rates are lower/higher than those currently used, the Group will need to recognise further impairment against the increase/decrease of goodwill for its subsidiary described in Note 4(27).

If management revises the pre-tax discount rate applied to the discounted cash flows to the reasonable and possible extent, and the revised pre-tax discount rate is higher/lower than the one currently applied, the Group will need to recognise further impairment against the increase/decrease of goodwill for its subsidiary.

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

Evaluation of fair value

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(33) Significant changes in accounting policies

The Ministry of Finance released the Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises (Interpretation No. 16) in 2022. In preparing the financial statements for the year ended 31 December 2023, the Group and the Company chose to adopt the provision that "the initial recognition exemption does not apply to deferred income taxes related to assets and liabilities arising from a single transaction" stipulated in Interpretation No. 16 from 1 January 2023. The above amendments have no significant impact on the financial statements of the Group and the Company.

3 TAXATION

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

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

(2) Tax preference

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

Name of the first-tier subsidiaries	Applicable period for high-tech enterprises preferential tax rate of 15%	
	Starting year	Ending year
Shanghai Electric Wind Power Group Co., Ltd.	2023	2025
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	2023	2025
Shanghai Boiler Works Co., Ltd.	2023	2025
Shanghai Electric Gas Turbine Co., Ltd.	2023	2025
Shanghai No.1 Machine Tool Works Co., Ltd.	2023	2025
Qingdao Huachen Weiye Power Technology Engineering Co., Ltd.	2023	2025
Shanghai Centrifuge Institute Co., Ltd.	2023	2025
Shanghai Electric Group Digital Technologies Co., Ltd.	2023	2025
Shanghai Electric Power Generation Environment Protection Engineering Co., Ltd.	2022	2024
Shanghai Electric Distributed Energy Technology Co., Ltd.	2022	2024
Shanghai Electric Guoxuan New Energy Technology Co., Ltd.	2022	2024
Shanghai Turbine Works Co., Ltd.	2022	2024
Shanghai Electric (Anhui) Energy Storage Technology Co., Ltd.	2022	2024
ZTC Technology (Suzhou) Co., Ltd.	2021	2023
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2021	2023
Shanghai Electric SHMP Casting & Forging Co., Ltd.	2021	2023
Shanghai Electric - SPX Engineering & Technologies Co., Ltd.	2021	2023
Shanghai Denso Fuel Injection Co., Ltd.	2021	2023
Shanghai Electric Fuji Electric Power Technology Co., Ltd.	2021	2023
Shanghai Electric SHMP Pulverising & Special Equipment Co., Ltd.	2021	2023
Shanghai KSB Pump Co., Ltd.	2021	2023
Shanghai Power Station Auxiliary Machinery Factory Co., Ltd.	2021	2023

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

3 TAXATION (CONT'D)

(2) Tax preference (Cont'd)

(b) Pursuant to the Notice of the Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises (Cai Shui [2023] No. 43) jointly issued by the Ministry of Finance and the State Taxation Administration, the following first-tier subsidiaries of the Group as advanced manufacturing enterprises, are allowed to credit the amount of input VAT deductible in the current period plus 5% thereof against the VAT payable from 1 January 2023 to 31 December 2027.

Name of the first-tier subsidiaries
Shanghai Electric Wind Power Group Co., Ltd.
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.
Shanghai Boiler Works Co., Ltd.
Shanghai Electric Gas Turbine Co., Ltd.
Shanghai No.1 Machine Tool Works Co., Ltd.
Shanghai Centrifuge Institute Co., Ltd.
Shanghai Electric Power Generation Environment Protection Engineering Co., Ltd.
Shanghai Electric Guoxuan New Energy Technology Co., Ltd.
Shanghai Turbine Works Co., Ltd.
ZTC Technology (Suzhou) Co., Ltd.
Shanghai Electric Nuclear Power Equipment Co., Ltd.
Shanghai Electric SHMP Casting & Forging Co., Ltd.
Shanghai Denso Fuel Injection Co., Ltd.
Shanghai Electric SHMP Pulverising & Special Equipment Co., Ltd.
Shanghai KSB Pump Co., Ltd.
Shanghai Power Station Auxiliary Machinery Factory Co., Ltd.

(3) Other remarks

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

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

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2023	31 December 2022
Cash on hand	1,427	3,484
Cash at bank	26,211,250	22,821,311
Other cash balances	3,952,225	3,519,705
Including: Total overseas deposits	2,913,225	3,249,514
	30,164,902	26,344,500

As at 31 December 2023, other cash balances represented restricted cash at bank and on hand of RMB3,936,117 thousand (31 December 2022: RMB3,443,275 thousand), mainly including cash at bank in pledge of RMB1,379,398 thousand (31 December 2022: RMB837,304 thousand) used as the guarantee for issuing unconditional and irrevocable letter of guarantee, letter of credit or bank acceptance notes to the bank. Cash at bank of RMB2,556,719 thousand (31 December 2022: RMB2,516,571 thousand) is Central Bank reserves of Shanghai Electric Finance Co., LTD. (the "Finance Company")., the subsidiary of the Group.

(2) Placements with banks and other financial institutions

	31 December 2023	31 December 2022
Deposits with domestic banks	18,054,967	24,613,553

As at 31 December 2023 and 31 December 2022, placements with banks and other financial institutions represented deposits with large commercial banks such as Industrial and Commercial Bank of China, Bank of China, Industrial Bank and Pudong Development Bank by the Finance Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(3) Financial assets held for trading

	31 December 2023	31 December 2022
Investments in funds held for trading (a)	6,254,518	5,921,775
Investments in bonds held for trading	615,337	1,011,394
Investments in equity instruments held for trading	69,727	152,688
Wealth management products	206,885	231,175
Others	345,896	340,406
	7,492,363	7,657,438

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

(a) Investments in funds

The investments in funds held by the Group mainly include:

Name	Number of shares of the Group ('000)	Primary activities undertaken by the funds	Issue size (total shares)	Total amount of the funds	Carrying amount as at 31 December 2023
Fund investment I	500,997	Investments in money market instruments with good liquidity	127.81 billion	127.81 billion	500,997
Fund investment II	478,447	Investments in money market instruments with good liquidity	46.2 billion	46.2 billion	478,447
Fund investment III	314,218	Investments in money market instruments with good liquidity	92.83 billion	92.83 billion	314,218
Fund investment IV	311,027	Investments in money market instruments with good liquidity	94.04 billion	94.04 billion	311,027
Fund investment V	282,719	Investments in money market instruments with good liquidity	120.48 billion	120.48 billion	282,719

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

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

(4) Derivative financial assets and derivative financial liabilities

	31 December 2023	31 December 2022
Derivative financial assets - Forward foreign exchange contracts	12,798	6,209
Derivative financial assets - Options	-	49,681
	12,798	55,890
Derivative financial liabilities - Forward foreign exchange contracts	3,425	10,450

As at 31 December 2023, derivative financial assets and derivative financial liabilities were mainly options and forward foreign exchange contracts, with nominal amounts of RMB472,117 thousand and RMB283,665 thousand (31 December 2022: RMB1,132,706 thousand and RMB132,229 thousand).

(5) Notes receivable

	31 December 2023	31 December 2022
Trade acceptance notes	2,679,574	3,618,581
Bank acceptance notes	2,174,324	3,750,651
Less: Provision for bad debts - Trade acceptance notes	(842,758)	(1,111,947)
Provision for bad debts - Bank acceptance notes	(15,695)	-
	3,995,445	6,257,285

(a) As at 31 December 2023, the Group's pledged notes were as follows:

Bank acceptance notes	4,322

(b) In 2023, the Group endorsed and discounted bank acceptance notes for which substantially all the risks and rewards of ownership had been transferred to other parties, and the carrying amounts of the bank acceptance notes derecognised accordingly amounted to RMB3,114,691 thousand and RMB698,822 thousand (2022: RMB3,777,239 thousand and RMB937,976 thousand) respectively, and the related discount losses amounting to RMB7,786 thousand were included in investment income (2022: RMB10,070 thousand).

As at 31 December 2023, the Group's notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)	863,671	1,629,513
Trade acceptance notes	-	151,941
	863,671	1,781,454

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(5) Notes receivable (Cont'd)

(b) As at 31 December 2023, the Group's notes receivable endorsed or discounted but unmatured were as follows (Con'd):

(i) For the year ended 31 December 2023, a few of the bank acceptance notes were endorsed or discounted and derecognised by part of the Group's subsidiaries, who thereby classified the balance of other bank acceptance notes receivable as financial assets at amortised cost. Certain bank acceptance notes which fulfilled the derecognition criteria were discounted and endorsed frequently by some of the Group's subsidiaries for the purpose of daily treasury management, who thereby classified the balance of other bank acceptance notes receivable as financial assets at fair value through other comprehensive income (Note 4(7)).

(c) Provision for bad debts

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

The provision for bad debts of notes receivable is analysed by category as follows:

	31 December 2023				**31 December 2022**			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Provision for bad debts on the individual basis (i)	**1,337,330**	**28%**	**803,173**	**60.1%**	2,108,726	29%	1,065,706	50.5%
Provision for bad debts on the grouping basis (ii)	**3,516,568**	**72%**	**55,280**	**1.6%**	5,260,506	71%	46,241	0.9%
	4,853,898	**100%**	**858,453**	**/**	7,369,232	100%	1,111,947	/

(i) As at 31 December 2023, the Group's trade acceptance notes receivable from subsidiaries within a third party group totalled RMB1,337,330 thousand, and the related contract liabilities amounted to RMB329,150 thousand. The Group evaluated the distribution of expected cash flows under multiple scenarios based on historical recoverability, operating model, current situations and forecasts of future conditions of different subsidiaries within the third party group, and made corresponding provision for ECL of RMB803,173 thousand according to the default loss rate and the related probability weight under various scenarios.

In addition, certain subsidiaries of the Group offset trade acceptance notes payable to the Group against their assets ("asset-for-debt transaction"). As at 31 December 2023, online signing procedures for related assets under the asset-for-debt transaction with respect to the trade acceptance notes of RMB199,049 thousand (31 December 2022: RMB188,455 thousand) had been completed, and the Group derecognised receivables and recognised other non-current assets of RMB199,049 thousand (31 December 2022: RMB188,455 thousand) accordingly.

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

(5) Notes receivable (Cont'd)

(c) Provision for bad debts (Con'd):

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

Grouping - Grouping of bank acceptance notes:

As at 31 December 2023, the Group measured provision for bad debts based on the lifetime ECL. The Group expected that there was no significant credit risk associated with its bank acceptance notes in this grouping and did not expect that there would be any significant losses from non-performance by these banks. Therefore, there was no need to make significant provision for bad debts.

Grouping - Grouping of trade acceptance notes:

As at 31 December 2023, the Group measured provision for bad debts based on the lifetime ECL, which amounted to RMB39,585 thousand (31 December 2022: RMB46,241 thousand), and RMB6,656 thousand was included in income for the current period (2022: RMB5,208 thousand was included in loss).

(6) Accounts receivable

	31 December 2023	31 December 2022
Accounts receivable	58,427,795	55,475,944
Less: Provision for bad debts	(17,949,869)	(17,195,975)
	40,477,926	38,279,969

	31 December 2023		31 December 2022	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual provision ((d)(iii))	16,496,146	(12,722,680)	16,092,875	(12,239,675)
Sovereign credit portfolio ((d)(iv))	1,077,291	(392,988)	690,314	(478,967)
Ageing grouping of accounts receivable by sector ((d)(v))	40,854,358	(4,834,201)	38,692,755	(4,477,333)
	58,427,795	(17,949,869)	55,475,944	(17,195,975)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(6) Accounts receivable (Cont'd)

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

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

	31 December 2023	31 December 2022
Not overdue	22,614,688	21,607,854
Overdue within 1 year	9,398,550	9,289,613
Overdue 1 to 2 years	6,488,398	9,966,854
Overdue 2 to 3 years	8,230,304	5,893,128
Overdue 3 to 4 years	4,557,370	4,856,653
Overdue 4 to 5 years	4,157,532	631,620
Overdue over 5 years	2,980,953	3,230,222
	58,427,795	55,475,944

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

	31 December 2023	31 December 2022
Within 1 year	27,495,470	25,630,900
1 to 2 years	8,266,708	12,523,380
2 to 3 years	8,336,220	7,434,301
3 to 4 years	6,552,353	5,382,166
4 to 5 years	4,661,539	981,285
Over 5 years	3,115,505	3,523,912
	58,427,795	55,475,944

(b) As at 31 December 2023, the top five balances of accounts receivable and contract assets measured at amortised cost aggregated by debtors were summarised and analysed as follows:

	Balance of accounts receivable	Balance of contract assets	Provision for bad debts	% of the aggregate balance of accounts receivable and contract assets measured at amortised cost
Total balance of the five largest accounts receivable and contract assets	14,423,635	1,687,520	(6,598,467)	17%

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

(6) Accounts receivable (Cont'd)

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

For the year ended 31 December 2023, except for Note 4(7)(a), the Group had no accounts receivable that were derecognised after the Group had applied a non-recourse factoring (2022: Nil).

In 2023, the Group conducted the "asset-for-debt transaction" with the debtor for a very small number of accounts receivable to offset the assets of the debtor against the Group's accounts payable. As at 31 December 2023, the online signing procedures for asset-for-debt transaction corresponding to accounts receivable of RMB42,913 thousand had been completed, and the Group derecognised corresponding accounts receivable and recognised other non-current assets of RMB42,913 thousand accordingly (31 December 2022: RMB13,632 thousand).

(d) Provision for bad debts

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

31 December 2022	17,195,975
Accrual in the current year	1,197,603
Transfer from notes receivable	445,924
Reversal in the current year	(781,165)
Decrease due to disposal of subsidiaries	(69,622)
Write-off in the current year	(38,846)
31 December 2023	17,949,869

(ii) The provision for bad debts in 2023 amounted to RMB1,197,603 thousand and that recovered or reversed comprised RMB781,165 thousand, including provision for bad debts made on the individual basis amounting to RMB473,382 thousand.

(iii) As at 31 December 2023, accounts receivable with provision for bad debts made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Accounts receivable 1	3,478,575	100%	3,478,575	(a)
Accounts receivable 2	2,333,335	64%-83%	1,796,436	(b)
Accounts receivable 3	2,191,732	52%	1,147,232	(a)
Accounts receivable 4	1,786,058	100%	1,783,648	(a)
Accounts receivable 5	1,193,017	54%	643,947	(a)
Others	5,513,429	26%-100%	3,872,842	The other party in a difficult financial situation, unrecoverable by estimation
	16,496,146		12,722,680	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(6) Accounts receivable (Cont'd)

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

(a) In 2021, the Group identified that accounts receivable of its subsidiary, Shanghai Electric Communication Technology Co., Ltd ("Communication Company"), were overdue in succession, with the collection of repayments stagnated. In order to reduce losses, Communication Company has initiated formal legal proceedings to related clients successively. As at 31 December 2023, Communication Company recognised the ECL by calculating the probability-weighted present value of the difference between the contractual cash flows from accounts receivable and cash flows expected to be received under different scenarios, taking into account the latest developments in litigation, professional legal advice from external lawyers and the asset preservation related to the litigation. As at 31 December 2023, the ECL accumulated to RMB7,053,402 thousand. Communication Company may accrue further losses if there is a material adverse change such as subsequent litigations or further deterioration of the counterparts' repayment ability.

(b) As at 31 December 2023, the Group's receivables from a subsidiary within a third party group represented RMB2,333,335 thousand. The Group evaluated the distribution of expected cash flows under multiple scenarios based on the historical experience of credit losses, operating model, current situations and forecasts of future conditions of subsidiaries under different conditions within the third party group, and made accumulative provision for bad debt balance of RMB1,796,436 thousand according to the ECL rate and the related probability weight under various scenarios.

(iv) As at December 31, 2023, the original value of accounts receivable amounted to RMB1,077,291 thousand bad debts amounted to RMB392,988 thousand and the net value of RMB684,303 thousand (December 31, 2022: Original value of accounts receivable amounted to RMB690,314 thousand bad debts amounted to RMB478,967 thousand and net value amounted to RMB211,347 thousand) represented receivables with sovereign credit risk.

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

(6) Accounts receivable (Cont'd)

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

(v) As at 31 December 2023 and 31 December 2022, except for the reference to receivables containing sovereign credit risk in (iv), accounts receivable with ageing grouping by sector with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	22,454,407	0.1%-4%	316,097
Overdue within 1 year	7,469,339	5%-19%	637,588
Overdue 1 to 2 years	5,496,960	3%-40%	801,376
Overdue 2 to 3 years	2,572,026	17%-80%	930,623
Overdue 3 to 4 years	1,269,454	33%-100%	900,117
Overdue 4 to 5 years	884,945	57%-100%	649,688
Overdue over 5 years	707,227	70%-100%	598,712
	40,854,358		4,834,201

	31 December 2022		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	21,232,417	0.1%-4%	424,296
Overdue within 1 year	8,355,404	5%-18%	817,511
Overdue 1 to 2 years	4,888,587	3%-37%	803,342
Overdue 2 to 3 years	2,063,067	17%-82%	772,179
Overdue 3 to 4 years	1,112,875	34%-100%	798,009
Overdue 4 to 5 years	407,896	54%-100%	304,096
Overdue over 5 years	632,509	78%-100%	557,900
	38,692,755		4,477,333

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(7) Receivables financing

		31 December 2023	31 December 2022
Accounts receivable measured at fair value through other comprehensive income	(a)	112,377	49,387
Notes receivable measured at fair value through other comprehensive income	(b)	1,242,567	2,056,202
		1,354,944	2,105,589

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

The ageing of accounts receivable is analysed as follows:

	31 December 2023	31 December 2022
Not overdue	112,377	49,387

As at 31 December 2023, electronic debt certificates of the Group's subsidiaries may be transferred without recourse based on their daily fund management needs, who thereby categorised the balance of accounts receivable as financial assets at fair value through other comprehensive income. The fair value of those accounts receivable was RMB112,377 thousand (31 December 2022: RMB49,387 thousand).

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

(7) Receivables financing (Cont'd)

(b) Notes receivable measured at fair value through other comprehensive income

As at 31 December 2023, the Group expected that its bank acceptance notes had similar credit risk characteristics and that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks. Therefore, provision for bad debts was not material. The Group measured the provision for bad debts of notes receivable at fair value through other comprehensive income based on the lifetime ECL.

As at 31 December 2023, notes receivable presented as receivables financing amounted to RMB11,604 thousand, which were pledged as collateral for bank acceptance notes (31 December 2022: RMB583,089 thousand).

As at 31 December 2023, except for Note 4(5)(b), the Group's notes receivable presented in receivables financing endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	2,941,085	-

(8) Prepayments

	31 December 2023	31 December 2022
Prepayments	9,511,724	10,276,967

(a) The ageing of prepayments is analysed as follows:

	31 December 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	7,915,096	83.22%	8,310,488	80.86%
1 to 2 years	881,033	9.26%	994,616	9.68%
2 to 3 years	255,847	2.69%	481,703	4.69%
Over 3 years	459,748	4.83%	490,160	4.77%
	9,511,724	100.00%	10,276,967	100.00%

As at 31 December 2023, prepayments with ageing over one year amounted to RMB1,596,628 thousand (31 December 2022: RMB1,966,479 thousand), which mainly represented prepayments for equipment for contract projects. Those accounts were not settled for such projects had not been completed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(8) Prepayments (Cont'd)

(a) The ageing of prepayments is analysed as follows (Cont'd):

As at 31 December 2023, the five largest prepayments collected by debtors were analysed as follows:

	Amount	% of total prepayments
Total of the five largest prepayments	1,089,769	11.46%

(9) Other receivables

	31 December 2023	31 December 2022
Receivables from related parties (Note 8(6))	1,788,806	1,860,284
Receivables from third parties	5,638,575	5,203,604
Dividends receivable (a)	68,778	96,210
	7,496,159	7,160,098
Less: Provision for bad debts	(1,511,992)	(1,003,581)
	5,984,167	6,156,517

The Group does not have any fund deposited at other parties under the centralised fund management and represented in other receivables.

(a) The Group made provision for bad debts on the individual basis for dividends receivable. As at 31 December 2023, the above receivables were in Stage 1 and no significant provision for bad debts was made.

(b) As at 31 December 2023, other receivables with provision for bad debts made on the individual basis were analysed as follows:

Stage 3	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Receivables 1	1,015,622	41%	416,621	Unrecoverable by estimation as for part, considering the guarantee obligations to be performed and relevant credit enhancement (Note)
Receivables 2	793,781	62%	489,763	Unrecoverable by estimation as for part, considering the guarantee obligations to be performed and relevant credit enhancement
Receivables 3	281,906	0%	-	Considering that the value of the collateral is sufficient, no provision for bad debts is provided for
Others	544,586	72%	390,619	Unrecoverable by estimation as for part
	2,635,895		1,297,003	

Note: As at 31 December 2023, other receivables of the Group from an associate amounted to RMB1,015,622 thousand. As for the above other receivables, the related enterprises of the associate are committed to assuming joint guarantee liabilities for outstanding amounts under guarantee.

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

(9) Other receivables (Cont'd)

(c) As at 31 December 2022, other receivables with provision for bad debts made on the individual basis were analysed as follows:

Stage 3	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Receivables 1	1,015,622	26%	260,521	Unrecoverable by estimation as for part, considering the guarantee obligations to be performed and relevant credit enhancement
Receivables 2	793,781	34%	271,493	Unrecoverable by estimation as for part, considering the guarantee obligations to be performed and relevant credit enhancement
Receivables 3	286,848	0%	-	Considering that the value of the collateral is sufficient, no provision for bad debts has been made
Others	593,576	55%	327,483	Unrecoverable by estimation as for part
	2,689,827		859,497	

(d) The Group's other receivables for which provision for bad debts is made on a portfolio basis are in the first stage, which mainly consist of deposits and guarantees, employee reserve and other receivables. The Group calculates the expected credit losses by reference to the historical credit loss experience, taking into account the current situation as well as the prediction of the future economic situation through the exposure to the risk of defaults and the expected credit loss rate within the next 12 months or the entire period of the existence of such receivables. As at December 31, 2023, the carrying amount of the above other receivables was RMB4,791,486,000 and provision for losses was RMB214,989,000 (December 31, 2022: RMB4,374,061,000 provision for losses was RMB144,084,000).

(e) Movements in the bad debt provision for other receivables, which are individually provided for, is as follows:

	Stage 3
	Lifetime ECL
31 December 2022	859,497
Increase in the current year	495,478
Reversal in the current year	(10,043)
Other decreases	(47,929)
31 December 2023	1,297,003

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(9) Other receivables (Cont'd)

(f) As at 31 December 2023, other receivables from top five debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Ageing	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Related party loans	1,015,622	Over 3 years	14%	416,621
Other receivables 2	Purchase deposits	793,781	1 to 2 years	11%	489,763
Other receivables 3	Performance bond	401,154	2 to 3 years	5%	-
Other receivables 4	Purchase deposits	281,906	1 to 2 years	4%	-
Other receivables 5	Purchase deposits	274,169	1 to 2 years	4%	126,118
		2,766,632			1,032,502

(g) As at 31 December 2023 and 31 December 2022, the Group had no overdue dividends receivable.

(10) Financial assets purchased under resale agreements and proceeds from financial assets sold under repurchase agreements

(a) Financial assets purchased under resale agreements

	31 December 2023	31 December 2022
Classification of amounts under resale agreements by collaterals:		
- Corporate bonds	997,372	667,050
- Treasury bonds	138,248	164,906
- Local government bonds	-	299,250
	1,135,620	1,131,206

The Group considers the credit impairment risk of financial assets purchased under resale agreements to be low and in Stage 1, so no significant credit impairment loss has been recorded.

(b) Proceeds from financial assets sold under repurchase agreements

As at 31 December 2023, the balance of proceeds from financial assets sold under repurchase agreements of the Group was RMB1,000,000 thousand, with the held interbank deposits of RMB1,100,000 thousand as collateral (Note 4(14)).

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

(11) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2023			31 December 2022		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Materials in transit	49,436	-	49,436	5,118	-	5,118
Raw materials	6,055,698	681,109	5,374,589	5,843,509	585,811	5,257,698
Self-produced semi-finished goods	936,356	94,922	841,434	907,369	85,019	822,350
Work in progress	13,585,883	1,210,676	12,375,207	13,738,424	933,352	12,805,072
Goods in stock (i)	16,095,946	2,771,263	13,324,683	14,174,796	2,700,395	11,474,401
Repair accessories	324,942	-	324,942	391,999	-	391,999
Low-value consumables	67,496	280	67,216	37,985	259	37,726
Others	66,198	-	66,198	77,550	-	77,550
	37,181,955	4,758,250	32,423,705	35,176,750	4,304,836	30,871,914

(i) The Group recognises the products produced before intended use of related production line but have not yet been sold as finished goods, and the cost of the finished goods includes the direct cost directly attributable to its production process and the amount of indirect manufacturing expenses allocated by reasonable methods.

As at 31 December 2023, the carrying amount of the inventories pledged as collaterals for bank mortgage loans was nil (31 December 2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(11) Inventories (Cont'd)

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

	31 December 2022	Increase in the current year	Decrease in the current year			Differences on translation of foreign currency financial statements	31 December 2023
		Provision	Reversal	Write-off	Decrease due to disposal of subsidiaries		
Raw materials	585,811	183,938	(67,602)	(24,122)	(222)	3,306	681,109
Self-produced semi-finished goods	85,019	13,265	(3,314)	(48)	-	-	94,922
Work in progress	933,352	1,324,828	(155,993)	(890,848)	(1,601)	938	1,210,676
Goods in stock (i)	2,700,395	333,119	(48,923)	(205,661)	(10,702)	3,035	2,771,263
Low-value consumables	259	21	-	-	-	-	280
	4,304,836	1,855,171	(275,832)	(1,120,679)	(12,525)	7,279	4,758,250

Net realisable value of the Group is determined based on the estimated selling price less the estimated costs to completion, contract performance costs and estimated costs necessary to make the sales and related taxes and expenses. The reversal of provision for decline in the value of inventories in the current period is due to the rising product price, and the write-off is due to the sales of inventories.

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

(12) Contract assets

	31 December 2023	31 December 2022
Contract assets	**36,731,233**	36,312,243
Less: Provision for impairment of contract assets	**(1,611,312)**	(1,464,194)
Less: Contract assets included in other non-current assets (Note 4(30))	**(13,206,524)**	(13,046,236)
	21,913,397	21,801,813

(a) For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2023, the Group's contract assets with provision for impairment made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for impairment	Reason
Contract assets 1	164,105	100%	164,105	(i)
Contract assets 2	161,407	77%	124,749	(ii)
Contract assets 3	90,501	100%	90,501	The other party in a difficult financial situation, unrecoverable by estimation
Others	793,901	60%	474,062	The other party in a difficult financial situation, unrecoverable for part by estimation
	1,209,914		853,417	

As at 31 December 2022, the Group's contract assets with provision for impairment made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for impairment	Reason
Contract assets 1	191,192	63%	119,495	(ii)
Contract assets 2	158,501	100%	158,501	(i)
Contract assets 3	90,501	100%	90,501	The other party in a difficult financial situation, unrecoverable by estimation
Others	315,701	64%	200,594	The other party in a difficult financial situation, unrecoverable for part by estimation
	755,895		569,091	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(12) Contract assets (Cont'd)

(i) As at 31 December 2023, the Group's receivables from a certain client represented RMB269,767 thousand (31 December 2022: RMB469,354 thousand), including contract assets of RMB164,105 thousand (31 December 2022: RMB158,501 thousand). As the client was short of funding and got involved in several litigations, the Group expected it was difficult to recover the contract assets, and therefore made provision for impairment of the contract assets in full.

(ii) As at 31 December 2023, the Group's receivables from various subsidiaries within a third party group represented RMB161,407 thousand (31 December 2022: RMB191,192 thousand). The Group evaluated the distribution of expected cash flows under different scenarios based on historical recoverability, operating model, current situations and forecasts of future conditions of subsidiaries within the third party group under different conditions, and made corresponding provision for ECL of RMB124,749 thousand according to ECL rate and the related probability weight under different scenarios (31 December 2022: RMB119,495 thousand).

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

(12) Contract assets (Cont'd)

(b) As at 31 December 2023 and 31 December 2022, the summary analysis of contract assets with provision for asset impairment losses by industry combination is as follows:

Grouping - Contract assets:

	31 December 2023		
	Book balance	Provision for asset impairment	
	Amount	Lifetime ECL rate	Amount
Not overdue	35,521,319	0.1%-3%	757,895

	31 December 2022		
	Book balance	Provision for asset impairment	
	Amount	Lifetime ECL rate	Amount
Not overdue	35,556,348	0.1%-3%	895,103

(13) Current portion of non-current assets

		31 December 2023	31 December 2022
Lease receivables	4(18)	1,738,860	1,864,582
Current portion of other non-current assets arising from PPP project		110,884	129,556
Loans and advances to customers	4(15)	86,727	804,428
Other long-term receivables	4(18)	40,314	59,104
		1,976,785	2,857,670

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(14) Other current assets

		31 December 2023	31 December 2022
Loans due within 1 year	(a)	1,052,455	3,988,254
Debt investments due within 1 year	(b)	8,345,826	-
Other debt investments due within 1 year (Note 4(17))	(c)	4,244,935	15,486,059
Input VAT to be offset		2,290,228	1,480,553
Prepaid VAT		532,765	683,772
Prepaid income tax		119,377	181,384
Others		736,585	898,983
		17,322,171	22,719,005

(a) Loans due within 1 year

	31 December 2023			31 December 2022		
	Total	Provision for impairment	Net book value	Total	Provision for impairment	Net book value
Loans	1,127,800	(75,345)	1,052,455	4,269,830	(281,576)	3,988,254

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

As at 31 December 2023, there were no shareholders who held over 5% (inclusive) voting rights in the Company in the balance of loans due within 1 year (31 December 2022: RMB187,500 thousand). The Group's balance of loans from other related parties is stated in Note 8.

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

(14) Other current assets (Cont'd)

(a)Loans due within 1 year (Cont'd)

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

	2023
Opening balance	281,576
Reversal in the current year	(206,231)
Ending balance	75,345

Analysis on loans by guarantee is as follows:

	31 December 2023	31 December 2022
Credit loans	-	3,703,830
Guaranteed loans	1,127,800	566,000
	1,127,800	4,269,830

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

	Stage 1		Stage 2		Stage 3	
	12-month ECL		Lifetime ECL		Lifetime ECL (credit impaired)	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
31 December 2022	187,500	6,039	4,082,330	275,537	-	-
Net increase/(decrease) in the current year	940,300	69,306	(4,082,330)	(275,537)	-	-
Net transfer in the current year	(1,127,800)	(75,345)	1,127,800	75,345	-	-
31 December 2023	-	-	1,127,800	75,345	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(14) Other current assets (Cont'd)

(a)Loans due within 1 year (Cont'd)

(i) As at the balance sheet date, provision for bad debts of short-term loans in Stage 1 was analysed below:

	31 December 2023		
	Book balance	12-month ECL rate	Provision for bad debts
Stage 1	-	-	-

	31 December 2022		
	Book balance	12-month ECL rate	Provision for bad debts
Stage 1	187,500	3%	6,039

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

	31 December 2023		
	Book balance	12-month ECL rate	Provision for bad debts
Stage 2	1,127,800	7%	75,345

	31 December 2022		
	Book balance	12-month ECL rate	Provision for bad debts
Stage 2	4,082,330	7%	275,537

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

(14) Other current assets (Cont'd)

(b) Debt investments due within 1 year

As at 31 December 2023, the Group considered that the credit impairment risk of debt investments listed within one year is relatively low, all of which were in Stage 1. Thus, no provision for significant credit losses was made.

The interbank deposits held by the Group mainly include:

Name of interbank deposits	Primary activities engaged in by the interbank deposits	Carrying amount as at 31 December 2023
Interbank deposits 1	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	784,287
Interbank deposits 2	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	499,012
Interbank deposits 3	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	398,077
Interbank deposits 4	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	391,500

(c) Other debt investments due within 1 year

	31 December 2023	31 December 2022
Interbank deposits (Note 4(17))	4,244,935	15,486,059

The Group considered the risk of credit impairment on other debt investments due within 1 year to be low, all of which were in Stage 1. Thus, no provision for significant credit losses was made.

As at 31 December 2023, the balance of proceeds from financial assets sold under repurchase agreements of the Group was RMB1,000,000 thousand, with the held interbank deposits of RMB1,100,000 thousand as collateral (Note 4(10)).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(15) Loans and advances to customers

	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Book value
Loans and advances to customers	7,820,625	363,831	7,456,794	2,598,997	203,617	2,395,380
Less: Loans within 1 year	(93,000)	(6,273)	(86,727)	(909,997)	(105,569)	(804,428)
	7,727,625	357,558	7,370,067	1,689,000	98,048	1,590,952

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

As at 31 December 2023, the balance of loans provided by shareholders who held over 5% (inclusive) voting rights in the Company was RMB4,578,750 thousand (31 December 2022: RMB1,300,000 thousand). The Group's balance of loans from other related parties is stated in Note 8.

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

	2023
Opening balance	203,617
Accrual in the current year	160,214
Ending balance	363,831

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

	31 December 2023	31 December 2022
Credit loans	4,578,750	1,319,997
Guaranteed loans	3,241,875	1,279,000
	7,820,625	2,598,997

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

	Stage 1		Stage 2		Stage 3	
	12-month ECL		Lifetime ECL		Lifetime ECL	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
31 December 2022	1,300,000	41,871	1,279,000	158,950	19,997	2,796
Net increase/(decrease) in the current year	6,034,625	288,067	(793,000)	(125,057)	(19,997)	(2,796)
Net transfer in the current year	(2,755,875)	(184,792)	2,755,875	184,792	-	-
31 December 2023	4,578,750	145,146	3,241,875	218,685	-	-

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

(15) Loans and advances to customers (Cont'd)

(a) As at 31 December 2023, the provision for bad debts of loan and advances (including the current portion) in Stage 1 was analysed as below:

	31 December 2023		
	Book balance	12-month ECL rate	Provision for bad debts
Combination provision	4,578,750	3%	145,146

As at 31 December 2022, the provision for bad debts of loan and advances (including the current portion) in Stage 1 was analysed as below:

	31 December 2022		
	Book balance	12-month ECL rate	Provision for bad debts
Individual provision	1,300,000	3%	41,871

(b) As at 31 December 2023, the provision for bad debts of loan and advances (including the current portion) in Stage 2 was analysed as below:

	31 December 2023		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	3,241,875	7%	218,685

As at 31 December 2022, the provision for bad debts of loan and advances (including the current portion) in Stage 2 was analysed as below:

	31 December 2022		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	1,279,000	7%-17%	158,950

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(15) Loans and advances to customers (Cont'd)

(c) As at 31 December 2023, the Group had no loans and advances to customers in Stage 3.

As at 31 December 2022, the provision for bad debts of loans and advances to customers (including the current portion) in Stage 3 was analysed as below:

	31 December 2022		
	Book balance	**Lifetime ECL rate**	**Provision for bad debts**
Individual provision	19,997	14%	2,796

(16) Debt investments

	31 December 2023	**31 December 2022**
Treasury bonds	**152,570**	152,863

As at 31 December 2023, the Group's significant debt investments are listed as follows:

	Par value	**Nominal interest rate**	**Effective interest rate**	**Maturity date**
21 treasury bonds with interest payable	150,000	2.89%	**2.67%**	18 November 2031

As at 31 December 2023, the counterparties of the bonds held by the Group had robust repayment ability and lower default risk. The Group regarded these debt investments as financial instruments with lower credit risks. Thus, no provision for significant credit losses was made.

In 2023, the Group did not write off significant debt investments (2022: Nil).

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

(17) Other debt investments

	31 December 2023	31 December 2022
Investments in debt instruments -		
Interbank deposits	4,244,935	15,486,059
	4,244,935	15,486,059
Including:		
- Costs	4,205,790	15,447,192
- Accumulated changes in fair value	39,145	38,867
Less: Other debt investments presented in other current assets (Note 4(14))	(4,244,935)	(15,486,059)
	-	-

As at 31 December 2023, the Group expected that the risk exposure of such debt instrument investments was low. Thus, no provision for significant credit losses was made.

The interbank deposits held by the Group mainly include:

Name of interbank deposits	Primary activities engaged in by the interbank deposits	Carrying amount as at 31 December 2023
Interbank deposits 1	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	1,484,172
Interbank deposits 2	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	686,100
Interbank deposits 3	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	587,522
Interbank deposits 4	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	494,859

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(17) Other debt investments (Cont'd)

(a) The related information on other debt investments measured at fair value is as follows:

	31 December 2023	31 December 2022
Interbank deposits		
- Fair value	4,244,935	15,486,059
- Amortised cost	4,205,790	15,447,192
- Accumulation in other comprehensive income	39,145	38,867
Total		
- Fair value	4,244,935	15,486,059
- Amortised cost	4,205,790	15,447,192
- Accumulation in other comprehensive income	39,145	38,867

(b) In 2023, the Group disposed RMB15,818,497 thousand debt instrument investments at a consideration of RMB15,834,109 thousand. The accumulation in other comprehensive income of RMB281,780 thousand related to those investments was reclassified to investment income (Note 4(66)).

(c) In 2023, the Group did not write off significant other debt investments (2022: Nil).

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

(18) Long-term receivables

	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Finance lease receivables (a)	4,835,537	(1,379,141)	3,456,396	5,466,830	(1,371,524)	4,095,306
Loans receivable from related parties (Note 8(6))	1,790,867	(595,726)	1,195,141	1,672,704	(604,795)	1,067,909
Others	220,074	(25,244)	194,830	94,400	(5,204)	89,196
	6,846,478	(2,000,111)	4,846,367	7,233,934	(1,981,523)	5,252,411
Less: Current portion of long-term receivables	(3,125,928)	1,346,754	(1,779,174)	(3,159,281)	1,235,595	(1,923,686)
	3,720,550	(653,357)	3,067,193	4,074,653	(745,928)	3,328,725

(a) Finance lease receivables

	31 December 2023	31 December 2022
Finance lease receivables	4,396,037	4,352,713
Less: Unrealised financing income	(934,209)	(825,214)
Balance of finance lease receivables	3,461,828	3,527,499
Receivables for sale-leaseback	1,373,709	1,939,331
Finance lease receivables - net	4,835,537	5,466,830
Less: Provision for bad debts	(1,379,141)	(1,371,524)
Net value of finance lease receivables	3,456,396	4,095,306
Less: Current portion of finance lease and leaseback receivables	(1,738,860)	(1,864,582)
	1,717,536	2,230,724

As at 31 December 2023, the Group had no contingent rental and unguaranteed residual value related to finance lease arrangements.

(b) The maturity dates of finance lease receivables are analysed below:

	31 December 2023	31 December 2022
Within 1 year	2,494,836	1,671,539
1 to 2 years	514,434	633,102
2 to 3 years	425,811	542,170
Over 3 years	960,956	1,505,902
	4,396,037	4,352,713

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(18) Long-term receivables (Cont'd)

(c) Movements in the provision for bad debts of long-term receivables (including the current portion) are as follows:

	31 December 2022	Increase in the current year	Reversal in the current year	31 December 2023
Provision for bad debts	1,981,523	114,400	(95,812)	2,000,111

(d) Movements in the loss provision of finance lease receivables (including the current portion)

	Stage 1		Stage 2		Stage 3	
	12-month ECL		Lifetime ECL		Lifetime ECL	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
31 December 2022	941,473	22,467	509,563	26,406	4,015,794	1,322,651
Net increase/(decrease) in the current year	55,024	1,400	(380,987)	(26,135)	(305,330)	(105,122)
Transfer in the current year	(198,257)	(4,916)	193,222	4,571	5,035	345
Transfer from Stage 1 to Stage 2	(199,357)	(4,991)	199,357	4,991	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	(5,035)	(345)	5,035	345
Transfer from Stage 2 to Stage 1	1,100	75	(1,100)	(75)	-	-
(Decrease)/Increase in provision (Note 1)	-	(1,951)	-	22,632	-	116,793
31 December 2023	798,240	17,000	321,798	27,474	3,715,499	1,334,667

Note 1: The item mainly includes the probability of default caused by the regular update of the model parameters, the default exposure, the change of the default loss rate and the impact of the phase change on the measurement of ECL.

(i) As at 31 December 2023, the provision for bad debts of finance lease receivables (including the current portion) in Stage 1 was analysed as below:

	Book balance	12-month ECL rates	Provision for bad debts
Provided on the grouping basis:			
Finance lease receivables (including the current portion)	798,240	0.1%-3%	17,000

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

(18) Long-term receivables (Cont'd)

(d) Movements in the loss provision of finance lease receivables (including the current portion) (Cont'd)

As at 31 December 2022, the provision for bad debts of finance lease and leaseback receivables (including the current portion) in Stage 1 was analysed as below:

	Book balance	12-month ECL rates	Provision for bad debts
Provided on the grouping basis:			
Finance lease receivables (including the current portion)	941,473	0.1%-3%	22,467

(ii) As at 31 December 2023, the provision for bad debts of finance lease receivables (including the current portion) in Stage 2 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts
Provided on the grouping basis:			
Finance lease receivables (including the current portion)	321,798	4%-14%	27,474

As at 31 December 2022, the provision for bad debts of finance lease receivables (including the current portion) in Stage 2 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts
Provided on the grouping basis:			
Finance lease receivables (including the current portion)	509,563	4%-10%	26,406

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(18) Long-term receivables (Cont'd)

(d) Movements in the loss provision of finance lease receivables (including the current portion) (Cont'd)

(iii) As at 31 December 2023, the provision for bad debts of finance lease receivables (including the current portion) in Stage 3 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Finance lease receivables 1	923,518	24%	223,010	Unrecoverable in full by estimation
Finance lease receivables 2	278,884	41%	114,678	Legal disputes exist, unrecoverable in full by estimation
Finance lease receivables 3	168,726	76%	128,307	Legal disputes exist, unrecoverable in full by estimation
Others	2,344,371	17%-100%	868,672	Unrecoverable in full by estimation
	3,715,499		1,334,667	

As at 31 December 2022, the provision for bad debts of finance lease receivables (including the current portion) in Stage 3 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Finance lease receivables 1	923,518	17%	157,273	Unrecoverable in full by estimation
Finance lease receivables 2	278,884	41%	113,319	Legal disputes exist, unrecoverable in full by estimation
Finance lease receivables 3	201,112	69%	137,907	Legal disputes exist, unrecoverable in full by estimation
Others	2,612,280	16%-100%	914,152	Unrecoverable in full by estimation
	4,015,794		1,322,651	

(e) As at 31 December 2023 and 31 December 2022, the Group did not enter into long-term receivables factoring contracts with recourse to obtain bank borrowings..

(19) Long-term equity investments

	31 December 2023	31 December 2022
Joint ventures (a)	1,982,027	1,842,679
Associates (b)	9,185,971	9,383,334
	11,167,998	11,226,013
Less: Provision for impairment of long-term equity investments (c)	(166,627)	(42,260)
	11,001,371	11,183,753

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

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

(a) Joint ventures

		Movements in the current year												Provision for impairment	
	31 December 2022	Increase in investments	Other decreases	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Transfer-out due to disposal of subsidiaries	Transfer-out due to disposal of subsidiaries	Cash dividends or profits declared	Provision for impairment	Others	31 December 2023	Shareholding (%)	31 December 2022	31 December 2023
Shanghai Yun Zhong Xin Enterprise Development Co., Ltd. (i)	648,818	-	-	(2,675)	-	-	-	-	-	-	-	646,143	55.00	-	-
Shanghai Fanuc Intelligent Machines Co., Ltd.	435,735	-	-	101,217	-	-	-	-	(85,871)	-	-	451,081	49.00	-	-
Shanghai Yun Hong Enterprise Development Co., Ltd.	297,000	-	-	-	-	-	-	-	-	-	-	297,000	45.00	-	-
Shanghai Yun Hui Enterprise Development Co., Ltd. (ii)	221,291	-	-	(168)	-	-	-	-	-	-	-	221,123	60.00	-	-
Others	239,835	131,177	-	(4,332)	-	-	-	-	-	-	-	366,680	-	-	-
	1,842,679	131,177	-	94,042	-	-	-	-	(85,871)	-	-	1,982,027	-	-	-

Please refer to Note 6(2) for information related to equity in joint ventures.

(i) Shanghai Electric Group Property Company Limited, one of the subsidiaries of the Group, holds 55% of the shares in Shanghai Yun Zhong Xin Enterprise Development Co., Ltd. According to the articles of association of Shanghai Yun Zhong Xin Enterprise Development Co., Ltd., major financial and business decisions of the company must be unanimously voted by all shareholders, so it is accounted as a joint venture.

(ii) Shanghai Electric Group Property Company Limited, one of the subsidiaries of the Group, holds 60% of the shares in Shanghai Yun Hui Enterprise Development Co., Ltd. According to the articles of association of Shanghai Yun Hui Enterprise Development Co., Ltd., major financial and business decisions of the company must be unanimously voted by all shareholders, so it is accounted as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

(b) Associates

		Movements in the current year												Provision for impairment	
	31 December 2022	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive income	Transfer-out due to disposal of subsidiaries	Changes in the scope of consolidation	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others	31 December 2023	Shareholding (%)	31 December 2023	31 December 2022
Shanghai Mitsubishi Electric Shangling Air Conditioner Electric Co., Ltd.	685,034	-	-	6,073	-	-	-	-	(17,396)	-	-	673,711	47.60	-	-
Ideal Wanlihui Semiconductor Equipment (Shanghai) Co., Ltd (i)	664,832	-	-	(14,095)	-	-	-	-	-	-	(7,140)	643,597	12.00	-	-
Shanghai Rail Traffic Equipment Development Co., Ltd.	581,041	-	-	16,403	-	-	-	-	(16,470)	-	-	580,974	49.00	-	-
Shanghai Jintai Engineering Machinery Co., Ltd.	553,042	-	-	5,177	-	-	-	-	(1,526)	-	-	556,693	49.00	-	-
Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd.	499,421	-	-	19,487	-	-	-	-	(24,400)	-	-	494,508	40.00	-	-
Shanghai Electric Investment (Dubai) Co., Ltd.	532,149	-	-	(34,638)	-	-	-	-	-	-	(20,172)	477,339	39.20	-	-
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	387,450	-	-	96,418	-	-	-	-	(103,927)	-	-	379,941	30.00	-	-
Haitong UniFortune International Leasing Co., Ltd. (ii)	381,576	-	-	32,891	-	-	-	-	(22,201)	(25,173)	5,415	372,508	2.03	(25,173)	-
Shanghai Ri Yong – JEA Gate Electric Co., Ltd.	263,846	-	-	29,928	-	-	-	-	(15,000)	-	-	278,774	30.00	-	-
Shanghai Pudong New Area Zhangjiang Petty Loan Limited Company	229,892	-	-	3,926	-	-	-	-	-	-	-	233,818	23.75	-	-
Siemens High Voltage Switchgear Co., Ltd. Shanghai	144,441	-	-	129,669	-	-	-	-	(70,889)	-	-	203,221	49.00	-	-
Zhejiang Zhuji Lianchuang Yongjun Equity Investment Partnership (Limited Partnership)	192,531	-	-	(3,946)	-	-	-	-	-	-	-	188,585	41.00	-	-
Shanghai Siemens Switchgear Co., Ltd.	183,215	-	-	103,845	-	-	-	-	(93,167)	-	-	193,893	45.00	-	-
Nanjing Panneng Power Technology Co., Ltd.	167,063	-	-	7,549	-	-	-	-	(7,500)	-	-	167,112	25.00	-	-
Nabtesco (China) Precision Machine Co., Ltd.	146,049	-	-	15,792	-	-	-	-	(5,842)		-	155,999	33.00	-	-
SEC Alstom (Shanghai Baoshan) Transformers Co., Ltd.	76,827	-	-	59,046	-	-	-	-	-		-	135,873	50.00	-	-
Shanghai Nabtesco Hydraulic Co., Ltd.	137,213	-	-	10,219	-	-	-	-	(12,208)		-	135,224	30.00	-	-

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

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

(b) Associates (Cont'd)

		Movements in the current year												Provision for impairment	
	31 December 2022	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive income	Transfer-out due to disposal of subsidiaries	Changes in the scope of consolidation	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others	31 December 2023	Shareholding (%)	31 December 2023	31 December 2022
KSB Shanghai Pumps Co., Ltd.	128,505	-	-	14,775	-	-	-	-	(14,575)	-	-	128,705	20.00	-	-
Legend Electric (Shenyang) Co., Ltd.	134,252	-	-	32,619	-	-	-	-	(41,300)	-	-	125,571	35.00	-	-
Shanghai Danfoss Hydrostatic Transmission Co., Ltd.	137,643	-	-	30,707	-	-	-	-	(46,521)	-	-	121,829	40.00	-	-
Shanghai Voith Hydropower Equipment Co., Ltd.	116,006	-	-	6,424	-	-	-	-	(8,518)	-	-	113,912	20.00	-	-
Shanghai Linxuan Enterprise Development Co., Ltd.	98,000	-	-	-	-	-	-	-	-	-	-	98,000	49.00	-	-
Zhongfu Lianzhong Wind Power Technology Co., Ltd.	105,747	-	-	(6,187)	-	-	-	-	(2,212)	-	-	97,348	40.00	-	-
Shanghai Marathon Innovation Electric Co., Ltd.	139,113	-	-	12,649	-	-	-	-	(56,781)	-	-	94,981	45.00	-	-
Shanghai ABB Motor Co., Ltd.	86,111	-	-	20,436	-	-	-	-	(16,900)	-	-	89,647	25.00	-	-
Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.	77,906	-	-	114,863	-	-	-	-	(107,471)	-	-	85,298	20.00	-	-
Shanghai Clyde Bergemann Machinery Co., Ltd.	74,099	-	-	7,410	-	-	-	-	-	-	-	81,509	30.00	-	-
Shanghai ABB Transformers Co., Ltd.	69,398	-	-	14,783	-	-	-	-	(20,351)	-	-	63,830	49.00	-	-
Shanghai Schneider Industrial Control Co., Ltd.	70,090	-	-	39,769	-	-	-	-	(56,649)	-	-	53,210	20.00	-	-
Shanghai Nata New Material Technology Co., Ltd.	-	50,000	-	(2,282)	-	-	-	-	-	-	-	47,718	20.00	-	-
Shanghai Huaduo Equity Investment Fund Partnership (Limited Partnership)	92,761	-	(100,000)	7,239	-	-	-	-	-	-	-	-	23.00	-	-
Others	2,185,821	68,775	(107,754)	154,384	-	-	(99,711)	-	(104,523)	(134,446)	(16,530)	1,946,016		(141,454)	(42,260)
	9,341,074	118,775	(207,754)	931,333	-	-	(99,711)	-	(866,327)	(159,619)	(38,427)	9,019,344	50.00	(166,627)	(42,260)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

(b) Associates (Cont'd)

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

(i) Although Shanghai Electric Group Automation Engineering Co., Ltd., a subsidiary of the Group, holds 12.00% of shares in Ideal Wanlihui Semiconductor Equipment (Shanghai) Co., Ltd, the Group has the right to appoint directors to exert significant influence on the company, so it is accounted as an associate.

(ii) Although Shanghai Electric Hong Kong Co., Ltd., a subsidiary of the Group, holds 2.03% of shares in Haitong UniFortune International Leasing Co., Ltd., the Group has the right to appoint directors to exert significant influence on the company, so it is accounted as an associate.

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

(20) Other non-current financial assets

	31 December 2023	31 December 2022
Equity investments in unlisted companies (a)	5,190,472	5,552,366
Stock and fund investments (b)	1,604,695	1,716,097
Bond investments	543,945	-
	7,339,112	7,268,463

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

Company	31 December 2023	31 December 2022	Shareholding ratio	Cash dividends in the current year
Company 1	1,701,350	1,746,000	2.02%	58,998
Company 2	2,122,562	2,117,817	19.00%	41,800
Others	1,366,560	1,688,549		14,949
	5,190,472	5,552,366		115,747

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

Stock & fund	Total market capitalisation	31 December 2023	31 December 2022
Stock 1	47.730 billion	884,488	935,006
Stock 2	38.824 billion	134,976	280,419
Stock 3	13.999 billion	48,469	35,892
Stock 4	84.814 billion	28,993	28,702
Stock 5	31.422 billion	17,377	14,866
Others		490,392	421,212
		1,604,695	1,716,097

The Group plans to hold the above-mentioned stocks, fund investments, and bond investments for the long term, therefore it is classified as other non current financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(21) Investment properties

	31 December 2022	Transfer from fixed assets	Additions due to acquisition of subsidiaries	Increase in the current year	Transfer-in in the current year	Decrease in the current year	31 December 2023
Cost	1,732,805	-	-	3,592	49,659	(20,566)	1,765,490
Accumulated depreciation	1,072,360	-	-	71,221	23,633	(10,795)	1,156,419
Provision for impairment	273	-	-	-	-	-	273
Net book value	660,172						608,798

For the year ended 31 December 2023, depreciation charged to investment properties was RMB71,221 thousand (2022: RMB79,200 thousand).

As at 31 December 2023, the carrying amounts of investment properties leased to associates and third parties were RMB38,059 thousand and RMB570,739 thousand, respectively. They are mainly used for their production and operation, and the Group conducts daily maintenance and management of the investment properties.

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

(22) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
Cost					
31 December 2022	17,278,549	20,223,547	501,105	2,303,596	40,306,797
Increase in the current year					
Purchase	198,718	998,372	39,603	47,354	1,284,047
Transfer from construction in progress	1,064,757	2,956,039	5,147	94,709	4,120,652
Business combinations involving enterprises not under common control	-	188,415	1,427	6,229	196,071
Transfer from investment properties	4,138	-	-	-	4,138
Decrease in the current year					
Disposal and retirement	(72,503)	(657,634)	(66,717)	(105,510)	(902,364)
Decrease due to disposal of subsidiaries	(286,864)	(2,971,913)	(2,379)	(11,889)	(3,273,045)
Differences on translation of foreign currency financial statements	47,552	89,155	729	25,231	162,667
Transfer to investment properties (Note 4(21))	(22,168)	-	-	-	(22,168)
31 December 2023	18,212,179	20,825,981	478,915	2,359,720	41,876,795
Accumulated depreciation					
31 December 2022	5,194,348	12,452,384	391,831	1,389,872	19,428,435
Increase in the current year					
Provision	758,510	1,528,995	56,026	217,254	2,560,785
Transfer from investment properties	823	-	-	-	823
Decrease in the current year					
Disposal and retirement	(46,479)	(573,725)	(61,559)	(101,050)	(782,813)
Decrease due to disposal of subsidiaries	(1,111)	(436,739)	(1,227)	(9,835)	(448,912)
Transfer to investment properties (Note 4(21))	(10,451)	-	-	-	(10,451)
Differences on translation of foreign currency financial statements	19,239	61,388	587	21,196	102,410
31 December 2023	5,914,879	13,032,303	385,658	1,517,437	20,850,277
Provision for impairment					
31 December 2022	459,196	132,486	649	3,723	596,054
Increase in the current year					
Provision	-	12,511	1	45	12,557
Decrease in the current year					
Disposal and retirement	-	(5,239)	(106)	-	(5,345)
Decrease due to disposal of subsidiaries	-	(3,597)	-	(463)	(4,060)
31 December 2023	459,196	136,161	544	3,305	599,206
Carrying amount					
31 December 2023	11,838,104	7,657,517	92,713	838,978	20,427,312
31 December 2022	11,625,005	7,638,677	108,625	910,001	20,282,308

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(22) Fixed assets (Cont'd)

(a) As at 31 December 2023, the Group pledged intangible assets with a carrying amount of RMB11,060 thousand (31 December 2022: RMB11,368 thousand), fixed assets with a carrying amount of RMB64,536 thousand (31 December 2022: RMB126,141 thousand) to obtain short-term borrowings of RMB106,900 thousand (31 December 2022: RMB159,400 thousand). As at 31 December 2023, the Group pledged fixed assets with a carrying amount of RMB513,652 thousand (31 December 2022: RMB511,361 thousand) and intangible assets with a carrying amount of RMB1,309,739 thousand (31 December 2022: RMB1,332,612 thousand) to obtain long-term borrowings of RMB2,359,799 thousand.

(b) For the year ended 31 December 2023, depreciation charged to fixed assets amounted to RMB2,560,785 thousand (2022: RMB2,082,559 thousand), including RMB2,004,105 thousand, RMB7,926 thousand, RMB398,187 thousand and RMB150,567 thousand (2022: RMB1,468,087 thousand, RMB9,577 thousand, RM463,055 thousand and RMB141,840 thousand) charged to operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

(c) In 2023, the costs of fixed assets transferred from construction in progress amounted to RMB4,120,652 thousand (2022: RMB3,289,415 thousand).

(d) As at 31 December 2023, the Group's buildings with a net book value of RMB1,331,483 thousand (31 December 2022: a net book value of RMB1,381,490 thousand) were under processing for property certificate due to recent renovation or government planning. Management of the Company believes that there is no substantive legal obstacle for these property certificates, which will not adversely affect the Group's operations.

(e) There were no terms of guaranteed residual values specified in the lease contract for machinery and equipment signed by the Group as the lessor.

(23) Construction in progress

	31 December 2023			31 December 2022		
	Book balance	**Provision for impairment**	**Carrying amount**	**Book balance**	**Provision for impairment**	**Carrying amount**
Zhangye Lilong Project	**-**	**-**	**-**	1,317,616	-	1,317,616
Wujiang Taihu Lake Renovation Project	**472,523**	**(409,703)**	**62,820**	421,160	(124,663)	296,497
Jinchang Yongneng Project	**-**	**-**	**-**	309,495	-	309,495
Jinsha River Branch Road No. 200 Project	**518,330**	**-**	**518,330**	150,447	-	150,447
Ningbo Hi-Firm Integrated Treatment Project	**139,000**	**-**	**139,000**	137,345	-	137,345
Construction of Lithium Battery Automation Equipment Production Line	**-**	**-**	**-**	7,183	-	7,183
Binhai Project	**122,501**	**-**	**122,501**	66,937	-	66,937
Others	**1,091,626**	**(205)**	**1,091,421**	1,145,087	(2,656)	1,142,431
	2,343,980	**(409,908)**	**1,934,072**	3,555,270	(127,319)	3,427,951

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

(23) Construction in progress (Cont'd)

(a) Movements in construction in progress

Project name	31 December 2022	Increase in the current year	Transfer to fixed assets in the current year	Decrease due to disposal of subsidiaries	Other decreases	Differences on translation of foreign currency financial statements	31 December 2023	Accumulated amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Source of funds
Zhangye Lilong Project	1,317,616	509,695	(1,827,311)	-	-	-	-	22,088	17,245	Self-owned and financing
Wujiang Taihu Lake Renovation Project	421,160	51,363	-	-	-	-	472,523	28,826	-	Financing
Jinchang Yongneng Project	309,495	216,181	(525,676)	-	-	-	-	3,104	2,194	Self-owned and financing
Jinsha River Branch Road No. 200 Project	150,447	367,883	-	-	-	-	518,330	8,399	8,293	Financing
Ningbo Hi-Firm Integrated Treatment Project	137,345	1,655	-	-	-	-	139,000	5,441	-	Financing
Construction of Lithium Battery Automation Equipment Production Line	7,183	-	(7,183)	-	-	-	-	-	-	Self-owned and financing
Binhai Project	66,937	55,564	-	-	-	-	122,501	-	-	Self-owned funds
Others	1,145,087	1,720,554	(1,760,482)	-	(19,518)	5,985	1,091,626	17,942	3,355	
Total	3,555,270	2,922,895	(4,120,652)	-	(19,518)	5,985	2,343,980	85,800	31,087	

For the year ended 31 December 2023, the capitalised interest amounted to RMB31,087 thousand (2022: RMB93,498 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(23) Construction in progress (Cont'd)

(b) Budget of major construction in progress

Project name	Budget	31 December 2022	Increase in the current year	Transfer to fixed assets in the current year	Other decreases	Differences on translation of foreign currency financial statements	31 December 2023	Project investment as a percentage of budget	Project progress (%)	Accumulated amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Capitalised rate in the current year (%)	Source of funds
Zhangye Lilong Project	2,164,230	1,317,616	509,695	(1,827,311)	-	-	-	84%	100%	22,088	17,245	4%	Self-owned and financing
Wujiang Taihu Lake Renovation Project	408,330	421,160	51,363	-	-	-	472,523	100%	100%	28,826	-	-	Financing
Jinchang Yongneng Project	521,880	309,495	216,181	(525,676)	-	-	-	100%	100%	3,104	2,194	4%	Self-owned and financing
Jinsha River Branch Road No. 200 Project	2,612,870	150,447	367,883	-	-	-	518,330	33%	33%	8,399	8,293	4%	Financing
Ningbo Hi-Firm Integrated Treatment Project	480,944	137,345	1,655	-	-	-	139,000	33%	33%	5,441	-	-	Financing
Binhai Project	629,000	66,937	55,564	-	-	-	122,501	18%	18%	-	-	-	Self-owned funds

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

(24) Right-of-use assets

	Buildings	Machinery and equipment	Motor vehicles	Computers and electronic equipment	Land use rights	Total
Cost						
31 December 2022	2,071,439	159,740	74,209	26,200	95,151	2,426,739
Increase in the current year						
New lease contracts	467,551	23,262	17,467	2,105	1,083	511,468
Decrease in the current year						
Change of lease contracts	(389,079)	(75,244)	(19,760)	(15,409)	8,079	(491,413)
Decrease due to disposal of subsidiaries					(13,475)	(13,475)
Differences on translation of foreign currency financial statements	14,391	6,939	4,022	1,139	-	26,491
31 December 2023	2,164,302	114,697	75,938	14,035	90,838	2,459,810
Accumulated depreciation						
31 December 2022	859,074	72,579	41,650	19,601	19,824	1,012,728
Increase in the current year						
Provision	333,134	16,391	13,579	1,036	6,010	370,150
Decrease in the current year						
Change of lease contracts	(253,077)	(69,122)	(15,001)	(9,876)	-	(347,076)
Decrease due to disposal of subsidiaries	-	-	-	-	(7,580)	(7,580)
Differences on translation of foreign currency financial statements	3,488	2,821	2,256	897	-	9,462
31 December 2023	942,619	22,669	42,484	11,658	18,254	1,037,684
Provision for impairment						
31 December 2022	11,842	-	-	-	-	11,842
31 December 2023	11,842	-	-	-	-	11,842
Carrying amount						
31 December 2023	1,209,841	92,028	33,454	2,377	72,584	1,410,284
31 December 2022	1,200,523	87,161	32,559	6,599	75,327	1,402,169

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(25) Intangible assets

	Land use rights	Franchise	Patent and license	Technology transfer fee	Computer software and others	Total
Cost						
31 December 2022	6,796,668	6,217,963	1,855,747	766,038	674,333	16,310,749
Increase in the current year						-
Purchase	32,333	154,683	-	91,677	29,932	308,625
Business combinations involving enterprises not under common control	14,787	-	9,629	-	753	25,169
Transfer from development expenditure	-	-	15,724	-	-	15,724
Decrease in the current year						
Disposal and retirement	(257,972)	(31,859)	-	-	(3,009)	(292,840)
Decrease due to disposal of subsidiaries	(6,975)	-	-	-	-	(6,975)
Transfer to investment properties (Note 4(21))	(27,491)	-	-	-	-	(27,491)
Differences on translation of foreign currency financial statements	-	-	4,325	1,810	17,369	23,504
31 December 2023	6,551,350	6,340,787	1,885,425	859,525	719,378	16,356,465
Accumulated amortisation						
31 December 2022	1,444,492	549,274	614,964	584,270	422,216	3,615,216
Increase in the current year						
Provision	198,106	168,680	27,460	124,286	66,403	584,935
Decrease in the current year						
Disposal and retirement	(187,857)	(23,283)	-	-	(3,009)	(214,149)
Decrease due to disposal of subsidiaries	(2,787)	-	-	-	-	(2,787)
Transfer to investment properties (Note 4(21))	(13,182)	-	-	-	-	(13,182)
Differences on translation of foreign currency financial statements	-	-	1,820	1,066	14,186	17,072
31 December 2023	1,438,772	694,671	644,244	709,622	499,796	3,987,105
Provision for impairment						
31 December 2022	5,939	-	90,438	-	16,170	112,547
31 December 2023	5,939	-	90,438	-	16,170	112,547
Carrying amount						
31 December 2023	5,106,639	5,646,116	1,150,743	149,903	203,412	12,256,813
31 December 2022	5,346,237	5,668,689	1,150,345	181,768	235,947	12,582,986

For the year ended 31 December 2023, amortisation of intangible assets amounted to RMB584,935 thousand (2022: RMB555,691 thousand).

As at 31 December 2023, the Group had no land use rights of which a land use rights certificate was not obtained (31 December 2022: Nil).

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

(25) Intangible assets (Cont'd)

As at 31 December 2023, the Group pledged intangible assets with a carrying amount of RMB11,060 thousand (31 December 2022: RMB11,368 thousand), fixed assets with a carrying amount of RMB64,536 thousand (31 December 2022: RMB126,141 thousand) to obtain short-term borrowings of RMB106,900 thousand (31 December 2022: RMB159,400 thousand). As at 31 December 2023, the Group pledged fixed assets with a carrying amount of RMB513,652 thousand (31 December 2022: RMB511,361 thousand) and intangible assets with a carrying amount of RMB1,332,612 thousand (31 December 2022: RMB1,325,872 thousand) to obtain long-term borrowings of RMB2,359,799 thousand.

(26) Development expenditures

The movements of the Group's development expenditures qualifying for capitalisation in 2023 are analysed as follows:

	31 December 2022	Increase in the current year	Transfer to intangible assets	31 December 2023
Development of Ballast Water Management System for High Load Ships	13,361	2,363	(15,724)	-
System construction for the Group's unified organizational structure	-	8,811	-	8,811
Development of complete sets of technology for producing and constructing segments of prestressed concrete wind tower	5,199	15	-	5,214
Others	17,258	378	-	17,636
	35,818	11,567	(15,724)	31,661

As at 31 December 2023, the balance of the Group's development expenditures was RMB31,661 thousand (31 December 2022: RMB35,818 thousand). For the year ended 31 December 2023, the development expenditures of the Group were recognised as an intangible asset of RMB15,724 thousand (2022: RMB11,771 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(27) Goodwill

	31 December 2022	Increase in the current year	Decrease in the current year	Differences on translation of foreign currency financial statements	Disposal of subsidiaries	31 December 2023
Goodwill						
Nedschroef	1,415,950	-	-	83,226	-	**1,499,176**
Shenzhen Yinghe Technology Co., Ltd.	1,497,236	-	-	-	-	**1,497,236**
Broetje-AutomationGmbH	1,028,565	-	-	68,799	-	**1,097,364**
Ningbo Hi-Firm Environmental Protection Company Limited	576,047	-	-	-	-	**576,047**
Wujiang Taihu Industrial Wastes Treatment Company Limited	278,538	-	-	-	-	**278,538**
Others	431,942	5,489	-	(58,627)	-	**378,804**
Sub-total	5,228,278	5,489	-	93,398	-	**5,327,165**
Less: Provision for impairment						
Broetje-AutomationGmbH	(574,047)	-	-	(59,907)	-	**(633,954)**
Ningbo Hi-Firm Environmental Protection Company Limited (a)	(277,575)	(91,343)	-	-	-	**(368,918)**
Nedschroef	(292,685)	-	-	(17,203)	-	**(309,888)**
Wujiang Taihu Industrial Wastes Treatment Company Limited	(278,538)	-	-	-	-	**(278,538)**
Shenzhen Yinghe Technology Co., Ltd.	(253,997)	-	-	-	-	**(253,997)**
Others	(262,713)	-	-	25,772	-	**(236,941)**
Sub-total	(1,939,555)	(91,343)	-	(51,338)	-	**(2,082,236)**
Total	3,288,723	(85,854)	-	42,060	-	**3,244,929**

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

(27) Goodwill (Cont'd)

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

		31 December 2023		
Operating segment	**Subdivision**	**Cost**	**Impairment**	**Net value**
Industrial equipment	Industrial Basic Parts	1,571,642	(338,121)	1,233,521
	Intelligent manufacturing equipment	1,097,364	(633,954)	463,410
	Large and medium-sized motors	10,060	-	10,060
	Others	4,405	-	4,405
Energy equipment	Energy Storage	1,546,716	(269,086)	1,277,630
	Power Grid	155,036	(155,036)	-
	Power transmission and distribution	18,331	(18,331)	-
Integration service	Environmental Engineering and Service	881,565	(667,708)	213,857
	Industrial Internet	26,269	-	26,269
	Power transmission and distribution	7,651	-	7,651
	Wind Power	7,093	-	7,093
	Property management services	1,033	-	1,033
		5,327,165	(2,082,236)	3,244,929

		2022年12月31日		
Operating segment	**Subdivision**	**Cost**	**Impairment**	**Net value**
Industrial equipment	Industrial Basic Parts	1,541,554	(346,690)	1,194,864
	Intelligent manufacturing equipment	1,028,565	(574,047)	454,518
	Large and medium-sized motors	10,060	-	10,060
	Others	4,405	-	4,405
Energy equipment	Energy Storage	1,546,716	(269,086)	1,277,630
	Power Grid	155,036	(155,036)	-
	Power transmission and distribution	18,331	(18,331)	-
Integration service	Environmental Engineering and Service	881,565	(576,365)	305,200
	Industrial Internet	26,269	-	26,269
	Power transmission and distribution	7,651	-	7,651
	Wind Power	7,093	-	7,093
	Property management services	1,033	-	1,033
		5,228,278	(1,939,555)	3,288,723

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(27) Goodwill (Cont'd)

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

2023	Industrial Basic Parts	Intelligent manufacturing equipment	Environmental Engineering and Service
Growth rates in the forecast period	-22.75%~29.96%	1.24%~3.63%	3%~134%
Growth rates in the stable period	1.5%~2.0%	1.8%	0%
Gross margin	15.47%~56.0%	19.90%~23.44%	22%~62%
Pre-tax discount rates	13.51%~14.0%	13.99%	8.92%

2022	Industrial Basic Parts	Intelligent manufacturing equipment	Environmental Engineering and Service
Growth rates in the forecast period	-4%~18.97%	-8.91%~21.54%	3%~544%
Growth rates in the stable period	1.88%~2.0%	1.42%	0%
Gross margin	17.81%~58.0%	19.43%~23.35%	-9%~61%
Pre-tax discount rates	13.9%~14.0%	13.5%	8.7%~10.5%

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

(27) Goodwill (Cont'd)

(a) The main assumptions applied in calculating discounted future cash flows are as follows: (Cont'd)

The Group determines growth rates and gross margins based on past experience and forecast on future market development. Growth rates in the stable period are the weighted average growth rates applied by the Group to extrapolate cash flows beyond the three-to-five-year forecast periods, which do not exceed the long-term average growth rates of each product in the industry report. The discount rates used by the Group are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups or groups of asset groups.

Ningbo Hi-Firm Environmental Protection Company Limited is in the operating segment of integration service - environmental engineering and service. As at 31 December 2023, the Group used the present value of estimated future cash flows as the recoverable amount, after comparing the higher of the present value of estimated future cash flows and fair value less cost of disposal. The key assumptions of the present value of estimated future cash flows include discount rates and forecast period growth rate. Cash flows used in the calculation are based on the financial projections related to the disposal of hazardous waste approved by management, with a pre-tax discounted rate of 9% (2022: 9%). The Group adopted a growth rate of 9% based on the industry growth forecast. Due to the decline in the expected future sales revenue of Ningbo Hi-Firm Environmental Protection Company Limited, the provision for impairment of goodwill in 2023 was RMB91,343 thousand.

(b) Goodwill arising from merger of Yinghe Technology amounted to RMB1,497,236 thousand, which was in the operating segment of energy equipment. For the year ended 31 December 2023, when determining the recoverable amount of the Yinghe Technology asset group, the management estimates the net amount of the fair value of the asset group after deducting disposal expenses based on the necessary adjustments made to the listed company's stock price. The key assumptions involved are mainly the listed company's stock price and control premium. As at 31 December 2023, management conducted a goodwill impairment test for the asset group of Yinghe Technology, and concluded that there was no need to make provision for impairment of goodwill.

(28) Long-term prepaid expenses

	31 December 2022	Additions due to acquisition of subsidiaries	Increase in the current year	Amortisation in the current year	Other decreases	31 December 2023
Renovation expenditures	217,087	-	22,668	(46,428)	-	193,327
Decoration expenditures	122,010	-	44,500	(40,642)	(18,758)	107,110
Improvements to fixed assets held under leases	26,398	-	22,101	(3,413)	-	45,086
Others	189,989	1,458	75,310	(66,461)	(41,674)	158,622
	555,484	1,458	164,579	(156,944)	(60,432)	504,145

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(29) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2023		31 December 2022	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Asset impairment and provisions	25,239,255	4,938,886	21,434,788	4,599,053
Accrued expenses	10,517,512	2,374,012	13,900,922	2,495,039
Deductible losses	6,511,904	1,283,377	4,033,493	1,008,373
Offsetting of profits from internal transactions	333,125	82,019	273,214	68,304
Others	563,324	101,398	476,899	86,743
	43,165,120	8,779,692	40,119,316	8,257,512
Including:				
Expected to be recovered within one year (inclusive)		4,712,698		4,631,572
Expected to be recovered after one year		4,066,994		3,625,940
		8,779,692		8,257,512

(b) Deferred tax liabilities before offsetting

	31 December 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of financial instruments	2,957,889	739,558	3,054,388	763,597
Assets assessment increment	409,145	102,286	608,632	152,158
Fair value adjustment for business combinations	864,996	216,249	1,005,144	251,286
Others	141,674	35,333	777,737	193,640
	4,373,704	1,093,426	5,445,901	1,360,681
Including:				
Expected to be recovered within one year (inclusive)		763,939		957,237
Expected to be recovered after one year		329,487		403,444
		1,093,426		1,360,681

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

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

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2023	31 December 2022
Deductible temporary differences	18,526,805	16,526,438
Deductible losses	12,883,088	9,036,423
	31,409,893	25,562,861

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

	31 December 2023	31 December 2022
2023	-	127,577
2024	229,178	274,471
2025	381,255	431,930
2026	1,268,870	1,310,472
2027	4,518,506	5,015,260
2028 and after	6,485,279	1,876,713
	12,883,088	9,036,423

(e) Taxable temporary differences without recognising deferred tax liabilities

The Group expects that the amount of deferred tax liabilities related to the distribution of dividends by its overseas subsidiaries, joint ventures, and associates or disposal of long-term equity investments is not significant.

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

	31 December 2023		31 December 2022	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	478,924	8,300,768	524,360	7,733,152
Deferred tax liabilities	478,924	614,502	524,360	836,321

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(30) Other non-current assets

	31 December 2023	31 December 2022
Contract assets (Note 4(12))	13,870,767	13,626,483
Others	584,230	327,464
	14,454,997	13,953,947
Less: Provision for impairment of contract assets (Note 4(12))	(664,243)	(580,247)
	13,790,754	13,373,700

As at 31 December 2023, the contract assets of the Group mainly consisted of the undue quality guarantee and other funds, including RMB922,476 thousand of contract assets formed from PPP projects (31 December 2022: RMB715,628 thousand).

In 2023, the Group's revenue from main operations comprised revenue from PPP project contracts of RMB689,883 thousand (2022: RMB937,270 thousand), including revenue from project construction services of RMB485,375 thousand (2022: RMB612,673 thousand). The Group's PPP project contracts primarily refer to water and waste treatment contracts. The Group provides PPP project asset construction, operation and maintenance thereafter, and other services as agreed in the PPP project contracts, with a total term of 20 to 30 years. The project assets of water treatment contract are mainly located in Jiangsu Province and Anhui Province, while those of waste treatment contract are mainly in Liaoning Province and Hebei Province. In 2023, there were no significant changes in the PPP project contracts.

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

(31) Provision for asset impairment and losses

		Increase in the current year	Decrease in the current year						
Provision for credit impairment losses	**31 December 2022**	**Provision**	**Reversal**	**Write-off/ Disposal**	**Decrease due to disposal of subsidiaries**	**Derecognition and transfer-out of receivables**	**Other transfers in/ (transfers out)**	**Differences on translation of foreign currency financial statements**	**31 December 2023**
Provision for bad debts of notes receivable	1,111,947	192,430	-	-	-	-	(445,924)	-	858,453
Including: Provision for bad debts on the individual basis	1,065,706	183,391	-	-	-	-	(445,924)	-	803,173
Provision for bad debts on the grouping basis	46,241	9,039	-	-	-	-	-	-	55,280
Provision for bad debts of accounts receivable measured at amortised cost	17,195,975	1,197,603	(781,165)	(38,846)	(69,622)	-	445,924	-	17,949,869
Including: Provision for bad debts on the individual basis	12,239,675	564,699	(473,382)	(24,783)	(29,453)	-	445,924	-	12,722,680
Provision for bad debts on the grouping basis	4,956,300	632,904	(307,783)	(14,063)	(40,169)	-	-	-	5,227,189
Provision for credit impairment of receivables financing	1,948	2,202	-	-	-	(2,661)	-	-	1,489
Provision for impairment of other debt investments	12,782	2,709	(12,782)	-	-	-	-	-	2,709
Provision for impairment of debt investments	-	23,172	(7,770)	-	-	-	-	-	15,402
Provision for bad debts of other receivables	1,003,581	589,162	(15,451)	(47,929)	(17,371)	-	-	-	1,511,992
Provisions - expected credit impairment of guarantees	225,545	95,496	(118,874)	-	-	-	-	-	202,167
Provision for bad debts of loans	485,193	133,291	(179,308)	-	-	-	-	-	439,176
Provision for impairment of discounted notes	53,056	-	(53,056)	-	-	-	-	-	-
Provision for bad debts of long-term receivables (including current portion)	1,981,523	114,400	-	(95,812)	-	-	-	-	2,000,111
Others	2,259	-	-	-	-	-	-	-	2,259
Sub-total	22,073,809	2,350,465	(1,168,406)	(182,587)	(86,993)	(2,661)	-	-	22,983,627

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(31) Provision for asset impairment and losses (Cont'd)

		Increase in the current year	Decrease in the current year						
Provision for credit impairment losses	31 December 2022	Provision	Reversal	Write-off/ Disposal	Decrease due to disposal of subsidiaries	Derecognition and transfer-out of receivables	Other transfers in/ (transfers out)	Differences on translation of foreign currency financial statements	31 December 2023
Provision for decline in the value of inventories	4,304,836	1,855,171	(275,832)	(1,120,679)	(12,525)	-	-	7,279	4,758,250
Provision for impairment of investment properties	273	-	-	-	-	-	-	-	273
Provision for impairment of contract assets	1,464,194	326,845	(179,732)	-	-	-	-	5	1,611,312
Provision for impairment of fixed assets	596,054	12,557	-	(5,345)	(4,060)	-	-	-	599,206
Provision for impairment of construction in progress	127,319	285,040	-	(2,451)	-	-	-	-	409,908
Provision for impairment of intangible assets	112,547	-	-	-	-	-	-	-	112,547
Provision for impairment of long-term equity investments	42,260	159,619	-	-	-	-	(35,252)	-	166,627
Provision for impairment of goodwill	1,939,555	91,343	-	-	-	-	-	51,338	2,082,236
Provision for impairment of right-of-use assets	11,842	-	-	-	-	-	-	-	11,842
Sub-total	8,598,880	2,730,575	(455,564)	(1,128,475)	(16,585)	-	(35,252)	58,622	9,752,201
	30,672,689	5,081,040	(1,623,970)	(1,311,062)	(103,578)	(2,661)	(35,252)	58,622	32,735,828

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

(32) Short-term borrowings

	31 December 2023	31 December 2022
Credit borrowings	7,899,021	8,057,412
Mortgage borrowings (a)	106,900	159,400
Pledged borrowings (b)	103,083	170,455
Secured borrowings (c)	78,000	52,000
Discount borrowings (d)	85,412	221,628
	8,272,416	8,660,895

(a) As at 31 December 2023, the Group pledged intangible assets with a carrying amount of RMB11,060 thousand (31 December 2022: RMB11,368 thousand), fixed assets with a carrying amount of RMB64,536 thousand (31 December 2022: RMB126,141 thousand) to obtain short-term borrowings of RMB106,900 thousand (31 December 2022: RMB159,400 thousand).

(b) As at 31 December 2023, the Group pledged account receivables with a carrying amount of RMB177,219 thousand (31 December 2022: RMB485,344 thousand) to obtain short-term bank borrowings of RMB103,083 thousand (31 December 2022: RMB170,455 thousand).

(c) As at 31 December 2023, the Company and its subsidiaries provided guarantees of RMB78,000 thousand for short-term borrowings of certain subsidiaries (31 December 2022: RMB52,000 thousand).

(d) As at 31 December 2023, the Group discounted trade acceptance notes of RMB27,103 thousand and bank acceptance notes of RMB58,309 thousand to obtain short-term bank borrowings of RMB85,412 thousand (As at 31 December 2022, the Group discounted trade acceptance notes of RMB73,820 thousand and bank acceptance notes of RMB147,808 thousand to obtain short-term bank borrowings).

As at 31 December 2023, the annual interest rate for short-term borrowings was 2.1% to 6.55% (31 December 2022: the annual interest rate was 0.79% to 5.64%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(33) Financial liabilities held for trading

	31 December 2023	31 December 2022
Financial liabilities held for trading	34,435	32,017

As at 31 December 2023, financial liabilities held for trading comprised the fair value of the equities held by investors other than the Group in the structured entities included in the consolidation scope.

(34) Notes payable

	31 December 2023	31 December 2022
Trade acceptance notes	4,517,795	4,156,252
Bank acceptance notes	7,556,404	11,913,306
	12,074,199	16,069,558

As at 31 December 2023, the Group had no notes receivable overdue but unpaid (31 December 2022: Nil).

(35) Accounts payable

	31 December 2023	31 December 2022
Accounts payable	59,610,479	57,396,886

(i) As at 31 December 2023, accounts payable with ageing over one year amounted to RMB9,679,202 thousand (31 December 2022: RMB10,095,104 thousand), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled for the projects are still under construction.

The ageing of accounts payable based on their recording dates is analysed as follows:

	31 December 2023	31 December 2022
Within 3 months	35,381,284	36,583,071
3 months to 6 months	4,815,801	3,633,310
6 months to 1 year	9,734,192	7,085,401
1 to 2 years	4,050,065	4,348,380
2 to 3 years	2,507,200	1,804,195
Over 3 years	3,121,937	3,942,529
	59,610,479	57,396,886

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

(36) Advances from customers

	31 December 2023	31 December 2022
Share advances and others	859,959	786,313

As at 31 December 2023, there were no advances from customers with ageing over one year, except for share advances of RMB358,370 thousand (31 December 2022: RMB353,369 thousand). Such share advances were not recognised as they had not been settled.

(37) Contract liabilities

	31 December 2023	31 December 2022
Advances from goods and services	44,288,870	38,886,075
Less: Non-current portion of contract liabilities included in other non-current liabilities	(81,757)	(143,278)
	44,207,113	38,742,797

The amount of RMB38,347,874 thousand of the balance of contract liabilities as at 31 December 2022 was transferred to revenue in 2023. The balance of contract liabilities as at 31 December 2023 is expected to be transferred to revenue in 2024.

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

	31 December 2023	31 December 2022
Current deposits	6,046,290	4,894,065
Time deposits	1,224,240	1,182,500
	7,270,530	6,076,565

(39) Employee benefits payable

	31 December 2023	31 December 2022
Short-term employee benefits payable(a)	5,217,367	4,728,402
Defined contribution plans payable(b)	78,016	88,157
Termination benefits payable(c)	86,196	141,471
	5,381,579	4,958,030

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(39) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Wages or salaries, bonus, allowances and subsidies	3,500,524	9,903,695	(9,481,358)	3,922,861
Staff welfare	6,181	335,074	(332,210)	9,045
Staff and workers' bonus and welfare fund	1,094,419	94,330	(643)	1,188,106
Social security contributions	41,890	592,052	(614,532)	19,410
Including: Medical insurance	40,009	551,793	(573,765)	18,037
Work injury insurance	1,028	30,367	(30,469)	926
Maternity insurance	853	9,892	(10,298)	447
Housing funds	32,411	527,818	(528,357)	31,872
Labour union funds and employee education funds	52,977	151,836	(158,740)	46,073
	4,728,402	11,604,805	(11,115,840)	5,217,367

(b) Defined contribution plans

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Basic pensions	44,921	1,032,287	(1,036,910)	40,298
Unemployment insurance	2,291	36,965	(37,618)	1,638
Supplementary pensions (Note)	40,945	372,504	(377,369)	36,080
	88,157	1,441,756	(1,451,897)	78,016

Note: Monthly payments of premiums on the pension plans (including the basic pensions in the Chinese mainland and Mandatory Provident Fund ("MPF") in Hong Kong) are made to relevant authorities and calculated according to the bases and percentages prescribed by the local authorities of Ministry of Human Resource and Social Security. Besides, the payments cannot be used to offset the amounts to be paid for employees by the Group in the future.

The Group also provides certain defined contribution plans (including the enterprise annuity plan in the Chinese mainland (the "Plan") and the provident fund plan in Hong Kong) to some employees in and outside the Chinese mainland. The Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. In 2023, under the Plan in the Chinese mainland, the total returned contributions (the amount contributed by the Group for employees who left such Plan prior to vesting fully in such Plan) to the corporate account of the Plan amounted to RMB1,621 thousand (2022: RMB4,919 thousand). Such returned contributions had no impact on and were not utilised by the Group to reduce the level of contributions for existing employees participating in the Plan. In 2023, the Group had no contributions not collected under the defined contribution plans excluding the Plan in the Chinese mainland. Except for the above plans, the Group had no other defined contribution plans.

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

(39) Employee benefits payable (Cont'd)

(c) Termination benefits payable

	31 December 2023	31 December 2022
Termination benefits	86,196	141,471

(40) Taxes payable

	31 December 2023	31 December 2022
VAT payable	1,164,633	850,872
Enterprise income tax payable	1,124,225	981,906
City maintenance and construction tax payable	56,474	38,437
Real estate tax payable	26,423	27,039
Individual income tax payable	16,541	46,618
Land use tax payable	10,613	10,080
Others	67,119	75,535
	2,466,028	2,030,487

(41) Other payables

	31 December 2023	31 December 2022
Construction and fixed assets purchase expenses payable	1,253,836	984,375
Sales commission	1,020,254	956,132
Technical royalties	476,361	638,757
Guarantees and deposits	443,111	510,000
Service fee	260,737	161,477
Maintenance cost within warranty period of elevators	219,331	240,194
Dividends payable to minority shareholders	165,521	390,765
Payables to related parties	161,902	317,084
Bidding service fee	99,943	80,266
Relocation compensations and personnel replacement fee	81,376	82,788
Others	3,962,161	3,497,635
	8,144,533	7,859,473

As at 31 December 2023, there were no dividends payable with ageing over one year (31 December 2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(42) Current portion of non-current liabilities

	31 December 2023	31 December 2022
Current portion of long-term borrowings (Note 4(44))	6,115,208	5,482,574
Current portion of long-term payables (Note 4(47))	467,888	764,983
Current portion of bonds payable (Note 4(45))	16,074	2,516,608
Current portion of lease liabilities (Note 4(46))	299,550	356,196
	6,898,720	9,120,361

(43) Other current liabilities

	31 December 2023	31 December 2022
Accrued expenses (a)	7,142,356	6,280,898
Provisions (b)	7,387,567	9,093,689
	14,529,923	15,374,587
Less: Long-term provisions	(3,028,758)	(3,592,976)
	11,501,165	11,781,611

(a) Accrued expenses

	31 December 2023	31 December 2022
Provision for the cost of spare parts	6,145,298	5,377,676
Others	997,058	903,222
	7,142,356	6,280,898

(b) Provisions

	31 December 2022	Increase in the current year	Reversal in the current year	Decrease in the current year	31 December 2023
Estimated onerous contracts (Note)	3,577,724	1,294,032	(376,585)	(2,257,826)	2,237,345
Product warranty expenses	4,903,681	1,444,875	(33,546)	(1,666,709)	4,648,301
Expected credit impairment for guarantees/commitments (Note 4(31))	225,545	95,496	(118,874)	-	202,167
Others	386,739	39,729	(66,855)	(59,859)	299,754
	9,093,689	2,874,132	(595,860)	(3,984,394)	7,387,567
Less: Long-term provisions	(3,592,976)				(3,028,758)
	5,500,713				4,358,809

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

(43) Other current liabilities (Cont'd)

(b) Provisions (Cont'd)

Note: Factors such as commodity prices and industry competition can have a significant impact on the gross profit of related contracts. As at 31 December 2023, the Group assessed on whether unavoidable estimated total costs of meeting contractual obligations had exceeded the economic benefits expected to be received, and made provision for these onerous contracts based on the estimated least net cost of exiting from the contracts.

(44) Long-term borrowings

	31 December 2023	31 December 2022
Credit borrowings	24,362,681	16,905,114
Mortgage borrowings (a)	2,359,799	2,389,097
Pledged borrowings (b)	4,975,718	4,758,850
Secured borrowings (c)	5,310,878	3,077,203
	37,009,076	27,130,264
Less: Current portion of long-term borrowings (Note 4(42))		
Credit borrowings	(4,245,423)	(3,400,662)
Mortgage borrowings	(587,235)	(346,558)
Pledged borrowings	(426,821)	(253,324)
Secured borrowings	(855,729)	(1,482,030)
Sub-total	(6,115,208)	(5,482,574)
	30,893,868	21,647,690

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(44) Long-term borrowings (Cont'd)

(a) As at 31 December 2023, the Group pledged fixed assets with a carrying amount of RMB513,652 thousand (31 December 2022: RMB511,361 thousand) and intangible assets with a carrying amount of RMB1,332,612 thousand (31 December 2022: RMB1,325,872 thousand) to obtain long-term borrowings of RMB2,359,799 thousand.

(b) As at 31 December 2023, the Group pledged account receivables with a carrying amount of RMB2,174,224 thousand (31 December 2022: RMB1,316,094 thousand) to obtain long-term borrowings of RMB1,725,457 thousand.

As at 31 December 2023, the Group pledged the future collection rights of several PPP projects and power generation projects to the bank to obtain long-term borrowings of RMB3,250,261 thousand (31 December 2022: RMB2,904,450 thousand).

(c) As at 31 December 2023, the Company and its subsidiaries provided guarantees of RMB5,310,878 thousand for long-term borrowings of certain subsidiaries (31 December 2022: RMB3,077,203 thousand).

(d) As at 31 December 2023, the Group did not enter into accounts receivable factoring contracts with recourse to obtain bank borrowings (31 December 2022: Nil).

As at 31 December 2023, the interest rate range of long-term borrowings was 0.30% to 6.998% (31 December 2022: 0.30% to 5.850%).

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

(45) Bonds payable

	31 December 2022	Increase in the current year	Exchange differences	Interest accrued at par value	Amortisation of premium or discount	Repayment in the current year	Share transfer in the current year	31 December 2023
18 Electric MTN001 (a)	2,500,534	-	-	99,771	5,563	(2,605,868)	-	-
22 Hufeng MTN001 (b)	764,771	-	-	23,850	603	(23,850)	-	765,374
	3,265,305							765,374
Less: Current portion of bonds payable (Note 4(42))	(2,516,608)							(16,074)
	748,697							749,300

(a) The Group issued the first phase of 2018 medium-term notes of Shanghai Electric Group Co., Ltd. on 13 December 2018, with a maturity of 5 years. The value date is 17 December 2018, and the redemption date is 17 December 2023. The proposed total issuance is RMB2.5 billion, and the actual total issuance is RMB2.5 billion; the issuance interest rate is 4.15% (the Shanghai Interbank Offered Rate for the three months on 14 December 2018 rose by 1%), and the issuance is based on the face value. On 17 December 2023, the Group had fully paid the above notes.

(b) The Group's subsidiary, Shanghai Electric Wind Power Group Co., Ltd. issued the first phase of 2022 green medium-term notes of Shanghai Electric Wind Power Group Co., Ltd. on 29 April 2022, with a maturity of 3 years. The value date is 29 April 2022, and the redemption date is 29 April 2025. The proposed total issuance is RMB0.75 billion, and the actual total issuance is RMB0.75 billion; the issuance interest rate is 3.18% and the issuance is based on the face value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(46) Lease liabilities

	31 December 2023	31 December 2022
Lease liabilities	1,450,546	1,433,621
Less: Current portion of non-current liabilities (Note 4(42))	(299,550)	(356,196)
	1,150,996	1,077,425

As at 31 December 2023, payments for leases not yet commenced to which the Group was committed amounted to RMB22,567 thousand (31 December 2022: Nil).

(47) Long-term payables

	31 December 2023	31 December 2022
Related party loans (Note 8(6))	399,562	533,778
Guarantees for finance leases	569,742	543,441
Others	60,537	250,619
	1,029,841	1,327,838
Less: Current portion of long-term payables (Note 4(42))	(467,888)	(764,983)
	561,953	562,855

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

(48) Deferred income

	31 December 2023	31 December 2022
Deferred income	**1,333,337**	1,491,212

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Deferred income	1,491,212	1,001,385	(1,159,260)	**1,333,337**

(a) Government grants

	31 December 2022	Increase in the current year	Decrease in the current year recognised in other income	31 December 2023
Other government grants related to assets	1,149,803	166,016	(252,115)	**1,063,704**
Other government grants related to income	341,409	835,369	(907,145)	**269,633**
Total	1,491,212	1,001,385	(1,159,260)	**1,333,337**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(49) Long-term employee benefits payable

	31 December 2023	31 December 2022
Termination benefits	81,219	82,080
Defined benefit plan (a)	106,349	93,774
	187,568	175,854

(a) Defined benefit plan

The defined benefit plan requires employee contributions. Contributions are made in two ways, namely, contributions to the plan based on the number of years of service and a fixed percentage of the employee's salary. Employees can also contribute to the plan at their discretion.

This plan exposes the Group to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of defined benefit plan liabilities is calculated at a discount rate determined with reference to the yield of high-quality corporate bonds. If the return on the plan assets is lower than the discount rate, the plan will incur a deficit. Due to the long-term nature of plan liabilities, the Pension Fund Committee believes that it is appropriate to invest a reasonable portion of plan assets in funds invested by insurance companies to take advantage of the returns generated by the funds.

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

(a) Defined benefit plan (Cont'd)

Interest rate risk

The reduction in bond interest rates will lead to an increase in plan liabilities; however, this will be partially offset by an increase in the return on the planned debt investment.

Longevity risk

The present value of defined benefit plan liabilities is calculated by referring to the best estimate of the mortality rate of plan members during and after the employment period. An increase in the life expectancy of plan members will result in an increase in plan liabilities.

Salary risk

The present value of defined benefit plan liabilities is calculated by referring to the future salary of plan members. As a result, an increase in the salary of plan members will lead to an increase in plan liabilities.

The composition of the defined benefit plan is as follows:

	31 December 2023	31 December 2022
Non-current liabilities	106,349	93,774
Current liabilities	1,891	5,468
	108,240	99,242

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

	31 December 2023	31 December 2022
Discount rate	3.57%	4.21%
Expected future increase in retirement cost ratio	2.35%	2.35%
Expected increase in salary ratio	2.60%	2.60%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(49) Long-term employee benefits payable (Cont'd)

(a) Defined benefit plan (Cont'd)

The amount of the above defined benefit plan recognised in the statement of profit or loss and other comprehensive income is as follows:

	2023	2022
Service cost:		
Current service cost	(84)	(3,435)
Net interest expense	3,809	1,625
Expected return on plan assets	(276)	(228)
Defined benefit cost composition recognised in profit or loss	3,449	(2,038)
Remeasured net defined benefit liabilities:		
Obligation actuarial loss	2,602	(33,866)
Actuarial loss of plan assets	2	(53)
Defined benefit cost composition recognised in other comprehensive expenses	2,604	(33,919)
Total	6,053	(35,957)

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

	2023	2022
Defined benefit obligation at the beginning of the year	106,112	144,540
Current service cost	(84)	(3,435)
Interest expenses	3,809	1,625
Obligation actuarial gain	2,602	(33,866)
Benefits paid	(4,270)	(4,490)
Exchange differences for overseas plans	7,059	1,738
Defined benefit obligation at the end of the year	115,228	106,112

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

(49) Long-term employee benefits payable (Cont'd)

(a) Defined benefit plan (Cont'd)

Changes in the fair value of plan assets are as follows:

	2023	2022
Fair value of plan assets at the beginning of the year	6,870	6,604
Expected return	276	228
Actuarial gain of plan assets	(1)	53
Benefits paid	(553)	(204)
Exchange differences for overseas plans	396	189
Fair value of plan assets at the end of the year	6,988	6,870

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

	31 December 2023	31 December 2022
Insurance company investment funds	6,988	6,870

(50) Other non-current liabilities

	31 December 2023	31 December 2022
Long-term contract liabilities	81,757	132,197
Others	13,307	36,015
	95,064	168,212

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(51) Share capital

		Movements in the current year					
	31 December 2022	Shares newly issued	Bonus share	Transfer from capital surplus	Others	Sub-total	31 December 2023
Ordinary shares denominated in RMB	12,655,327	-	-	-	-	-	12,655,327
Foreign shares listed overseas	2,924,482	-	-	-	-	-	2,924,482
	15,579,809	-	-	-	-	-	15,579,809

		Movements in the current year					
	31 December 2021	Shares newly issued	Bonus share	Transfer from capital surplus	Others	Sub-total	31 December 2022
Ordinary shares denominated in RMB	12,781,489	-	-	-	(126,162)	(126,162)	12,655,327
Foreign shares listed overseas	2,924,482	-	-	-	-	-	2,924,482
	15,705,971	-	-	-	(126,162)	(126,162)	15,579,809

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

(52) Capital surplus

	31 December 2022	Increase in the current year (a)	Decrease in the current year (b)	31 December 2023
Share premium	15,653,488	157,368	(2,518,290)	13,292,566
Effect of convertible bond on equity	3,381,592	-	-	3,381,592
Subsidiaries relocation compensations	297,503	-	-	297,503
Profit commitment compensation	232,002	-	-	232,002
Share-based payments included in owners' equity	184,585	-	-	184,585
Others	2,088,652	-	-	2,088,652
	21,837,822	157,368	(2,518,290)	19,476,900

	31 December 2021	Increase in the current year (a)	Decrease in the current year (b)	31 December 2022
Share premium	15,653,488	-	-	15,653,488
Effect of convertible bond on equity	3,381,592	-	-	3,381,592
Capital contribution by shareholders due to equity incentive	256,109	-	(256,109)	-
Subsidiaries relocation compensations	297,503	-	-	297,503
Profit commitment compensation	232,002	-	-	232,002
Share-based payments included in owners' equity	152,309	32,276	-	184,585
Others	2,072,557	16,095	-	2,088,652
	22,045,560	48,371	(256,109)	21,837,822

(a) In 2023, the Company and the investors made a total capital injection of RMB400,000 thousand in Shanghai Electric (Anhui) Energy Storage Technology Co., Ltd., a subsidiary of the Company, by non-public agreement through Shanghai United Assets and Equity Exchange Co., Ltd. The Company accordingly increased the capital surplus by RMB157,368 thousand based on the shareholding ratio after capital injection.

(b) In 2023, the Company acquired the equity of its holding subsidiaries held by ICBC Financial Assets Investment Co., Ltd., BOCOM Financial Asset Investment Co., Ltd. and BOC Financial Assets Investment Co., Ltd., including 48.18% of the equity in Shanghai Electric Industrial Co., Ltd., 39.42% in Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., 48.88% in Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd., and 42.20% in Shanghai Electric Nuclear Power Equipment Co., Ltd. The total equity transfer price is RMB10.004 billion, and the Company accordingly reduced capital surplus by RMB2,518,290 thousand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(53) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for year ended 31 December 2023				
	31 December 2022	Attributable to the parent company - net of tax	31 December 2023	Amount incurred before income tax	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to the minority shareholders - net of tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes arising from remeasurement of defined benefit plan	18,856	(2,488)	16,368	(2,604)	-	-	(2,488)	(116)
Other comprehensive income items which will be reclassified to profit or loss								
Changes in fair value of other debt investments	25,690	185	25,875	282,058	(281,780)	(69)	185	24
Provision for credit impairment of other debt investments and receivables financing	6,212	(12,903)	(6,691)	4,911	(24,228)	4,829	(12,903)	(1,585)
Gains or losses on cash flow hedge	22,038	(931)	21,107	3,154	(5,411)	564	(931)	(762)
Differences on translation of foreign currency financial statements	(77,176)	62,629	(14,547)	67,326	-	-	62,629	4,697
Other comprehensive income that will be reclassified to profit or loss under equity method	(30,908)	-	(30,908)	-	-	-	-	-
Others	10,397	-	10,397	-	-	-	-	-
	(24,891)	46,492	21,601	354,845	(311,419)	5,324	46,492	2,258

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

(53) Other comprehensive income (Cont'd)

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for year ended 31 December 2022				
	31 December 2021	Attributable to the parent company - net of tax	31 December 2022	Amount incurred before income tax	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to the minority shareholders - net of tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes arising from remeasurement of defined benefit plan	(3,534)	22,390	18,856	33,919	-	(10,489)	22,390	1,040
Other comprehensive income items which will be reclassified to profit or loss								
Changes in fair value of other debt investments	36,109	(10,419)	25,690	175,169	(190,881)	3,928	(10,419)	(1,365)
Provision for credit impairment of other debt investments and receivables financing	22,193	(15,981)	6,212	19,075	(26,537)	(9,203)	(15,981)	(684)
Gains or losses on cash flow hedge	20,217	1,821	22,038	2,428	-	(607)	1,821	-
Differences on translation of foreign currency financial statements	(564,303)	487,127	(77,176)	493,193	-	-	487,127	6,066
Other comprehensive income that will be reclassified to profit or loss under equity method	(30,908)	-	(30,908)	-	-	-	-	-
Others	10,397	-	10,397	-	-	-	-	-
	(509,829)	484,938	(24,891)	723,784	(217,418)	(16,371)	484,938	5,057

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(54) Surplus reserve

	31 December 2022	Appropriation in the current year	Decrease in the current year	31 December 2023
Statutory surplus reserve	4,096,610	-	-	**4,096,610**
Discretionary surplus reserve	29,816	-	-	**29,816**
Reserve fund	303,715	-	-	**303,715**
Enterprise expansion fund	349,926	-	-	**349,926**
Provision for general risk of Finance Company	1,126,457	-	-	**1,126,457**
	5,906,524	-	-	**5,906,524**

	31 December 2021	Appropriation in the current year	Decrease in the current year	31 December 2022
Statutory surplus reserve	4,096,610	-	-	**4,096,610**
Discretionary surplus reserve	29,816	-	-	**29,816**
Reserve fund	303,715	-	-	**303,715**
Enterprise expansion fund	349,926	-	-	**349,926**
Provision for general risk of Finance Company	1,126,457	-	-	**1,126,457**
	5,906,524	-	-	**5,906,524**

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

(55) Retained earnings

	2023	2022
Retained earnings at the beginning of the year	**11,419,263**	15,218,425
Add: Net profit/(loss) attributable to shareholders of the parent company for the current year	**285,155**	(3,566,484)
Appropriation to staff and workers' bonus and welfare fund	**(25,420)**	(23,373)
Dividends payable to the Company's ordinary shareholders and subsidiaries	**-**	(209,305)
Retained earnings at the end of the year	**11,678,998**	11,419,263

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

(56) Revenue and operating cost

	2023	2022
Revenue from main operations (Note 2(23))	108,096,600	114,496,488
Revenue from other operations	6,121,609	2,489,319
Interest income	576,469	636,982
Fee and commission income	2,399	329
	114,797,077	117,623,118

	2023	2022
Operating cost from main operations (Note 2(23))	90,404,751	97,521,681
Operating cost from other operations	2,712,557	975,216
Interest costs	86,519	87,168
Fee and commission expenses	719	754
	93,204,546	98,584,819

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

Details of revenue from main operations are as follows:

	2023	2022
Sales of goods	85,057,697	86,126,054
Construction services	11,363,370	17,669,945
Rendering of services	11,675,533	10,700,489
	108,096,600	114,496,488

Details of revenue from other operations are as follows:

	2023	2022
Sales of products and materials	4,467,831	1,205,183
Leasing fixed assets	820,561	656,952
Finance lease income	184,723	189,894
Rendering of non-industrial services	155,623	164,892
Others	492,871	272,398
	6,121,609	2,489,319

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

	For the year ended 31 December 2023								
	Sales of goods			Construction services			Rendering of services	Others	Total
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions			
Revenue from main operations	75,103,542	1,717,205	8,236,950	4,690,933	5,496,936	1,175,501	11,675,533	-	108,096,600
Including: Recognised at a time point	75,103,542	1,717,205	8,236,950	-	-	-	347,112	-	85,404,809
Recognised within a period of time	-	-	-	4,690,933	5,496,936	1,175,501	11,328,421	-	22,691,791
Revenue from other operations	992,585	36,237	3,439,009	-	-	-	155,623	1,498,155	6,121,609
	76,096,127	1,753,442	11,675,959	4,690,933	5,496,936	1,175,501	11,831,156	1,498,155	114,218,209

	For the year ended 31 December 2022								
	Sales of goods			Construction services			Rendering of services	Others	Total
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions			
Revenue from main operations	77,706,678	987,138	7,432,238	7,913,907	9,117,196	638,842	10,700,489	-	114,496,488
Including: Recognised at a time point	77,706,678	987,138	7,432,238	-	-	-	249,618	-	86,375,672
Recognised within a period of time	-	-	-	7,913,907	9,117,196	638,842	10,450,871	-	28,120,816
Revenue from other operations	944,369	104,010	139,233	-	-	-	164,892	1,136,815	2,489,319
	78,651,047	1,091,148	7,571,471	7,913,907	9,117,196	638,842	10,865,381	1,136,815	116,985,807

(i) As at 31 December 2023, the Group's income corresponding to the performance obligations that have been signed but not yet fulfilled or not yet completed was RMB44,288,870 thousand, of which RMB44,207,113 thousand was expected to be recognised in 2024 and RMB81,757 thousand was expected to be recognised in 2025 and beyond.

(ii) In 2023, the Group did not receive any additional rewards for the early completion of labour services. The Group's revenue from sales of materials is recognised at a time point. In addition, the Group does not have any other significant transaction price of the contract or adjustment for transaction price.

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

(57) Taxes and surcharges

	For the year ended 31 December 2023	For the year ended 31 December 2022
City maintenance and construction tax	187,247	150,970
Real estate tax	150,538	104,713
Educational surcharge	140,096	115,333
Stamp tax	90,496	86,392
Land use tax	40,529	31,819
Others	97,823	42,530
	706,729	531,757

The payment criterion is set out in Note 3.

(58) Selling and distribution expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Labour costs	1,421,098	1,235,861
Product warranty expenses	1,411,329	1,003,860
Agency fee and commission	382,580	424,546
General office expenses and market development expenses	416,104	325,464
Agent and technical service fees	214,879	237,025
Travel expenses	165,766	116,212
Bidding service fee	119,207	104,728
Packaging expenses	29,990	24,946
Depreciation of right-of-use assets	6,528	3,246
Others	42,263	377,413
	4,209,744	3,853,301

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(59) General and administrative expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Labour costs	4,267,973	4,520,021
Depreciation and amortisation	786,412	912,284
Professional service fees	730,924	676,242
General office expenses	676,749	654,347
Rental fees	166,168	146,857
Depreciation of right-of-use assets	136,550	134,894
Travel expenses	163,287	105,824
Repair expenses	144,321	95,314
Power energy expenses	74,190	56,014
Others	848,694	866,152
	7,995,268	8,167,949

(60) Research and development expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Labour costs	2,330,677	2,242,270
Direct input material costs	2,002,211	1,955,109
Outsourced research expenses	226,185	169,814
Depreciation and amortisation	188,411	195,228
Depreciation of right-of-use assets	12,273	23,956
Others	609,537	442,089
	5,369,294	5,028,466

(61) Financial expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest costs on borrowings	1,823,297	1,814,486
Add: Interest costs on lease liabilities	40,403	36,588
Less: Capitalised interest	(31,087)	(93,498)
Sub-total:	1,832,613	1,757,576
Less: Interest income	(642,243)	(504,533)
Exchange gains	(155,484)	(42,112)
Others	47,032	90,118
	1,081,918	1,301,049

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

(62) Expenses by nature

The operating cost, interest costs, fee and commission expenses, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Consumption of raw materials	56,076,224	60,702,112
Machinery and services purchased	29,798,375	31,460,176
Labour costs	12,972,690	12,630,640
Depreciation and amortisation	3,373,885	2,835,822
Warranty expenses	1,411,329	1,003,860
Freight and package fees	1,389,751	1,299,464
Power energy expenses	811,477	722,371
General office expenses	696,398	760,941
Agency fee and commission	554,491	508,751
Technology commission fees and technical service fees	534,561	454,582
Rental	399,780	331,073
Depreciation of right-of-use assets	370,150	401,474
Consultation fee	363,857	284,225
Travel expenses	309,147	268,356
Property cost	289,737	270,535
Market development fee	128,953	176,378
Auditor fees - Audit services	24,500	26,520
- Non-audit services	2,417	400
Others	1,271,130	1,496,855
Total	110,778,852	115,634,535

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(63) Asset impairment losses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Losses on decline in the value of inventories	1,579,339	931,530
Impairment losses on construction in progress	285,040	124,233
Impairment losses of long-term equity investments	159,619	35,252
Impairment losses on contract assets	147,113	247,083
Impairment loss on goodwill	91,343	411,487
Impairment losses on fixed assets	12,557	395,332
	2,275,011	2,144,917

(64) Credit impairment losses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Losses on bad debts of accounts receivable, other receivables and receivables financing	992,351	1,629,798
Losses on impairment of long-term receivables	114,400	439,616
Losses on bad debts of notes receivable	192,430	80,804
Losses on impairment of debt investments	15,402	-
(Reversal of losses)/Impairment losses on other debt investments	(10,073)	12,782
Reversal of losses on guarantees	(23,378)	(41,537)
Reversal of losses on loans	(46,017)	(76,690)
(Reversal of losses)/Impairment losses on discounted notes	(53,056)	48,692
	1,182,059	2,093,465

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

(65) Other income

	For the year ended 31 December 2023	For the year ended 31 December 2022
Super deduction of VAT	314,770	5,426
Tax refund	164,076	195,970
Subsidy from the district government in Shanghai	121,010	263,847
Fund for boiler development	68,761	86,796
Fund for ACP1000	58,000	13,064
Financial support fund	46,753	8,476
High-tech achievement transformation	46,552	1,801
Fund for rental concessions	42,253	-
Fund for the development of large internal and external cylindrical grinding machines	36,221	-
Fund for offshore wind power development	35,330	2,341
Other income related	446,375	353,501
Other assets related	93,929	146,769
Total	1,474,030	1,077,991

(66) Investment income

	For the year ended 31 December 2023	For the year ended 31 December 2022
Investment income from long-term equity investment under equity method (Note 4(19))	1,025,375	858,533
Investment income/(losses) from disposal of subsidiaries	723,298	(56,045)
Investment income from disposal of other debt investments	297,392	190,881
Investment income obtained during the holding of financial assets measured at amortised cost	132,241	1,514
Investment income obtained during the holding of other non-current financial assets	11,113	41,546
Investment income from disposal of other non-current financial assets	103,257	22
Investment income/(losses) from disposal of financial assets held for trading	81,228	(99,440)
Investment income obtained during the holding of financial assets measured at amortised cost	68,206	103,149
Losses arising from derecognition of financial assets measured at amortised cost	(22,034)	(8,992)
Others	132,979	82,469
	2,567,300	1,113,637

There is no significant restriction on recovery of investment income of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(67) Losses on changes in fair value

	For the year ended 31 December 2023	For the year ended 31 December 2022
Financial assets at fair value through profit or loss	(269,380)	(691,430)
Derivative financial instruments	(45,407)	(23,885)
	(314,787)	(715,315)

(68) Gains on disposal of assets

	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount recognised in non-recurring profit or loss in 2023
Gains on disposal of intangible assets (a)	648,667	515,365	648,667
Gains on disposal of fixed assets, investment properties and construction in progress	198,336	45,075	198,336
	847,003	560,440	847,003

(a) In 2023, gains on disposal of assets of the Group mainly came from the net income of land transfer of the Company. As at 31 December 2023, the Company had completed the transfer of all the above assets.

(69) Non-operating income

	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount recognised in non-recurring profit or loss in 2023
Insurance claims	23,658	42,711	23,658
Unpayable payables	10,246	12,418	10,246
Contract compensation income	54,044	47,634	54,044
Others	54,332	120,278	54,332
	142,280	223,041	142,280

(70) Non-operating expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount recognised in non-recurring profit or loss in 2023
Compensation expenditures	136,795	47,718	136,795
Donation expenditures	5,088	4,900	5,088
Others	60,718	121,263	60,718
	202,601	173,881	202,601

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

(71) Income tax expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current income tax calculated based on tax law and related regulations	1,946,682	1,126,490
Income tax annual filing difference for the current period	(22,688)	(8,745)
Deferred income tax	(784,111)	(780,037)
	1,139,883	337,708

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

	For the year ended 31 December 2023	For the year ended 31 December 2022
Total profit/(loss)	3,294,809	(1,975,298)
Income tax expenses calculated at applicable tax rates provided by law (Note 1)	823,702	(493,825)
Effect of preferential tax rates of certain subsidiaries	(155,027)	(115,208)
Adjustment for tax filing difference of prior years	(22,688)	(8,745)
Effect on share of profit of joint ventures and associates	(254,129)	(175,212)
Income not subject to tax	(45,072)	(48,865)
Non-deductible expenses	56,700	44,181
Preferential tax for qualified expenses	(492,221)	(474,498)
Utilisation of temporary difference and deductible losses that are not recognised as deferred tax assets in previous years	(135,595)	(47,128)
Deductible temporary difference and deductible losses that are not recognised as deferred tax assets in the current year	1,364,213	1,657,008
Income tax expenses	1,139,883	337,708

Note 1: The Group's income tax is provided based on estimated taxable income in China and the applicable tax rates. Taxes on taxable income elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(72) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing net profit for the current period attributable to ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares. Newly issued ordinary shares are included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue) according to specific terms of the issuance contract.

Basic earnings per share are calculated as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Consolidated net profit/(loss) attributable to ordinary shareholders of the parent company	285,155	(3,566,484)
Weighted average number of outstanding ordinary shares (i) (Unit: 1,000 shares)	15,579,809	15,611,350
Basic earnings per share	RMB0.018	RMB(0.228)
Including:		
- Basic earnings per share from continuing operations (i):	RMB0.018	RMB(0.228)
- Basic earnings per share from discontinued operations:	-	-

(i) As mentioned in Note 1, the Company implemented an equity incentive plan. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to ordinary shareholders of the Company less the revocable cash dividends distributed in the current period attributable to shares that are expected to be unlocked in the future; the denominator does not include the number of restricted shares.

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. For the year ended 31 December 2023, the Company had no dilutive potential ordinary shares. Therefore, diluted earnings per share equal to basic earnings per share.

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

(73) Notes to the cash flow statement

The Group's significant cash flows are as follows:

(a) Cash received relating to other operating activities

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net decrease in finance lease receivables from the Lease Company	816,016	1,751,474
Income from government grants	1,316,155	917,647
Net increase in financial assets sold under repurchase agreements	1,000,000	-
Cash for interest, fee and commission	570,358	644,319
Interest income from parties excluding the Finance Company and the Lease Company	642,243	504,533
Income from leasing fixed assets	820,561	656,952
Net decrease in loans and advances to customers	-	4,245,003
Net increase in customer deposits and interbank deposits	930,657	877,843
Others	165,553	212,558
	6,261,543	9,810,329

(b) Cash paid relating to other operating activities

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net increase in financial assets purchased under resale agreements	4,414	943,004
Net decrease in transfers of factored accounts receivable	72,771	743,279
General and administrative expenses	2,816,651	2,574,228
Selling and distribution expenses	2,771,149	2,602,199
Research and development expenses	2,837,933	2,567,012
Net increase in deposits with central banks	40,148	165,931
Cash for payment of interest, fee and commission	87,238	87,922
Net increase in loans and advances to customers	2,079,598	-
Others	521,764	511,994
	11,231,666	10,195,569

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

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

(c) Cash received from disposal of investments

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash received for disposal of interbank deposits	16,943,953	8,195,220
Cash received from disposal of financial assets held for trading	1,635,478	3,039,341
Cash received from disposal of joint ventures and associates	344,645	481,433
Others	459,407	169,636
	19,383,483	11,885,630

(d) Cash paid to acquire investments

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash paid to acquire interbank deposits	13,766,334	15,934,332
Cash paid to acquire financial assets held for trading	1,499,577	3,410,939
Cash paid for capital increase of joint ventures and associates	249,952	993,900
Others	768,816	509,172
	16,284,679	20,848,343

(e) Cash received relating to other investing activities

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net decrease in time deposit over three months	-	3,287,755
Net decrease in restricted cash at bank and on hand	-	475,258
	-	3,763,013

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

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

(f) Cash paid relating to other investing activities

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net increase in restricted cash at bank and on hand	452,694	-
Net increase in time deposit over three months	2,280,363	-
	2,733,057	-

(g) Cash paid relating to other financing activities

	For the year ended 31 December 2023	For the year ended 31 December 2022
Capital withdrawal by minority shareholders	8,130,679	-
Loans repaid by the Group to related parties	256,966	527,896
Repayments of lease liabilities	382,161	479,442
Repurchase of equity incentive	-	382,271
	8,769,806	1,389,609

In 2023, the total cash outflow related to leasing paid by the Group was RMB781,941 thousand (2022: RMB810,515 thousand), except for the above amount of payment of lease liabilities included in financing activities, and the rest of the cash outflow was included in operating activities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(74) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

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

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net profit/(loss)	2,154,926	(2,313,006)
Add: Asset impairment losses	2,275,011	2,144,917
Credit impairment losses	1,182,059	2,093,465
Depreciation of right-of-use assets	370,150	401,474
Depreciation of investment properties	71,221	79,200
Depreciation of fixed assets	2,560,785	2,082,559
Amortisation of intangible assets	584,935	555,691
Amortisation of long-term prepaid expenses	156,944	118,372
Gains on disposal of fixed assets, intangible assets and other long-term assets	(847,003)	(560,440)
Financial expenses	1,612,030	1,715,464
Losses on changes in fair value	314,787	715,315
Investment income	(2,567,300)	(1,113,637)
Changes in deferred tax assets	(567,616)	345,153
Changes in deferred tax liabilities	(223,352)	195,219
Amortisation of deferred income	(1,474,030)	(1,077,991)
Changes in inventories	(3,189,409)	(1,252,250)
Changes in contract assets	(501,483)	(1,758,175)
Changes in contract liabilities	5,488,222	2,536,317
Changes in operating receivables	(769,880)	(5,671,477)
Changes in operating payables	1,178,013	9,252,399
Increase in special reserve	(12,318)	(5,754)
Net cash flows from operating activities	7,796,692	8,482,815

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

(74) Supplementary information to the cash flow statement (Cont'd)

(a) Supplementary information to the cash flow statement (Cont'd)

Significant operating, investing and financing activities that do not involve cash receipts and payments

	For the year ended 31 December 2023	For the year ended 31 December 2022
Purchase of inventory in bank acceptance notes	4,391,629	3,779,293
Newly added right-of-use assets in the current period	511,468	571,905
Asset-for-debt transaction (Note 4(5)(c)(i), Note 4(6)(c))	53,715	31,911
	4,956,812	4,383,109

(b) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash at bank and on hand	30,164,902	26,344,500
Placements with banks and other financial institutions	18,054,967	24,613,553
	48,219,869	50,958,053
Less: Time deposits over three months	(6,010,033)	(3,729,670)
Less: Restricted funds in monetary funds	(3,936,117)	(3,443,275)
	38,273,719	43,785,108

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(74) Supplementary information to the cash flow statement (Cont'd)

(c) Disposal of subsidiaries

	For the year ended 31 December 2023
Cash and cash equivalents received in the current year from disposal of subsidiaries	1,989,618
Including: Shanghai Xinji Machine Tool Co., Ltd.	686,916
Shanghai Electric Lianchuang International Co., Ltd.	20,532
Yulin Zhengxin Electric Power Construction Co., Ltd.	89,949
Zhangye Lilong New Energy Development Co., Ltd.	944,167
Jinchang Yongneng New Energy Co., Ltd.	204,054
Shanghai Electric Group Battery Technology Co., Ltd.	44,000
Less: Cash and cash equivalents held by subsidiaries at the date when control is lost	
Including: Shanghai Xinji Machine Tool Co., Ltd.	6,422
Shanghai Electric Lianchuang International Co., Ltd.	35,026
Yulin Zhengxin Electric Power Construction Co., Ltd.	50,619
Zhangye Lilong New Energy Development Co., Ltd.	73,278
Jinchang Yongneng New Energy Co., Ltd.	24,693
Shanghai Electric Group Battery Technology Co., Ltd.	147
Net cash received from disposal of subsidiaries	1,799,433

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

(74) Supplementary information to the cash flow statement (Cont'd)

(c) Disposal of subsidiaries (Cont'd)

	For the year ended 31 December 2023
Considerations for disposal of subsidiaries for the year ended 31 December 2023:	
Including: Shanghai Xinji Machine Tool Co., Ltd.	686,916
Shanghai Electric Lianchuang International Co., Ltd.	20,532
Yulin Zhengxin Electric Power Construction Co., Ltd.	89,949
Zhangye Lilong New Energy Development Co., Ltd.	944,167
Jinchang Yongneng New Energy Co., Ltd.	204,054
Shanghai Electric Group Battery Technology Co., Ltd.	44,000
	1,989,618

(d) Changes in liabilities from financing activities

	Bank borrowings (including the current portion)	Bonds payable (including the current portion)	Lease liabilities (including the current portion)	Others (including the current portion)	Total
31 December 2022	35,791,159	3,265,305	1,433,621	533,778	41,023,863
Cash inflows from financing activities	27,188,479	2,000,000	-	-	29,188,479
Cash outflows from financing activities	(18,086,235)	(4,629,718)	(382,161)	(256,966)	(23,355,080)
Interest accrued in the current year	1,653,510	129,787	40,403	-	1,863,700
Changes in the scope of consolidation	(1,351,977)	-	112,600	-	(1,239,377)
Others	46,556	-	246,083	-	292,639
31 December 2023	45,281,492	765,374	1,450,546	276,812	47,774,224

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

(75) Major monetary items denominated in foreign currency

	31 December 2023		
	Foreign currency balances	Exchange rate	RMB balances
Cash at bank and on hand -			
USD	501,441	7.0827	3,551,554
EUR	49,702	7.8592	390,618
MYR	18,214	1.5415	28,076
JPY	1,077,765	0.0502	54,118
VND	70,211,201	0.0003	20,572
HKD	1,967	0.9062	1,782
GBP	11,765	9.0411	106,366
IDR	33,094,903	0.0005	15,257
BDT	36,825	0.0650	2,392
ETB	80,917	0.1272	10,289
RSD	1,158,970	0.0676	78,381
INR	760,175	0.0855	64,965
AUD	542	4.8484	2,628
Accounts receivable -			
USD	1,636,485	7.0827	11,590,732
EUR	145,664	7.8592	1,144,803
GBP	29,426	9.0411	266,046
MYR	4	1.5415	7
INR	62,566	0.0855	5,347
VND	31,790,130	0.0003	9,315

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

(75) Major monetary items denominated in foreign currency (Cont'd)

	31 December 2023		
	Foreign currency balances	Exchange rate	RMB balances
Other receivables -			
USD	96,200	7.0827	681,355
JPY	24,461	0.0502	1,228
GBP	19,468	9.0411	176,008
EUR	22,286	7.8592	175,152
IDR	25,968	0.0005	12
INR	2,549	0.0855	218
VND	4,792,414	0.0003	1,404
BDT	31,238	0.0650	2,029
MYR	1,187	1.5415	1,829
RSD	9,512	0.0676	643
Accounts payable -			
USD	220,631	7.0827	1,562,664
GBP	44,328	9.0411	400,475
MYR	155,409	1.5415	239,564
EUR	129,204	7.8592	1,015,414
JPY	228,995	0.0502	11,499
RSD	199,268	0.0676	13,477
INR	67,688	0.0855	5,785
VND	6,660,690	0.0003	1,952
BDT	138,734	0.0650	9,012
Other payables -			
USD	145,394	7.0827	1,029,782
JPY	395,809	0.0502	19,875
EUR	19,232	7.8592	151,150
GBP	12,174	9.0411	110,066
MYR	6,299	1.5415	9,711

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(75) Major monetary items denominated in foreign currency (Cont'd)

	31 December 2022		
	Foreign currency balances	Exchange rate	RMB balances
Cash at bank and on hand -			
USD	555,315	6.9646	3,867,550
EUR	50,860	7.4229	377,532
MYR	544	1.5772	857
JPY	1,090,070	0.0524	57,074
VND	24,400,599	0.0003	7,198
HKD	74,851	0.8933	66,862
GBP	24,851	8.3941	208,605
IDR	34,299,639	0.0004	15,332
BDT	16,746	0.0676	1,132
ETB	1,212	0.1307	158
RSD	1,464,605	0.0634	92,885
INR	696,739	0.0842	58,665
Accounts receivable -			
USD	1,339,770	6.9646	9,330,967
JPY	52,150	0.0524	2,730
HKD	16,107	0.8933	14,388
EUR	383	7.4229	2,840
GBP	59,200	8.3941	496,933
MYR	494	1.5772	779

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

(75) Major monetary items denominated in foreign currency (Cont'd)

	31 December 2022		
	Foreign currency balances	Exchange rate	RMB balances
Other receivables -			
USD	21,616	6.9646	150,545
JPY	3,477	0.0524	182
HKD	197	0.8933	176
GBP	21,963	8.3941	184,357
Accounts payable -			
USD	209,898	6.9646	1,393,583
MYR	95,008	1.5772	149,847
EUR	165	7.4229	1,226
JPY	343,058	0.0524	17,962
RSD	1,431,891	0.0634	90,811
Other payables -			
USD	104	6.9646	723
JPY	378,437	0.0524	19,814
EUR	5,276	7.4229	39,161
HKD	80	0.8933	71
MYR	15,075	1.5772	23,777

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

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

(76) Share-based payment

(a) Equity-settled share-based payment

(i) General information

In accordance with the Proposal on A-share Restricted Shares Incentive Plan of Shanghai Electric Group Co., Ltd. (Draft) and Summary, the Proposal on Assessment Measures for the Implementation of A-share Restricted Shares Incentive Plan of Shanghai Electric Group Co., Ltd. and the Proposal on Submittal to Shareholders' General Meeting for Authorising the Board of Directors to Handle Matters Related to A-share Restricted Shares Incentive Plan approved by the 13th meeting of the 5th Session of the Board of Directors of the Company on 6 May 2019, the 1st interim shareholders' meeting in 2019, the 1st A-share shareholders' meeting in 2019 and the 1st H-share shareholders' meeting in 2019, the date of 6 May 2019 was determined as the grant date and a total of 133,578 thousand restricted shares were granted to 2,194 incentive recipients by the Company which were approved by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and confirmed with no objection and recorded by China Securities Regulatory Commission. Such restricted shares were granted at RMB3.03 per share. After the completion of the subscription of such incentive plan, due to the issuance of new shares, the Company's share capital and capital surplus increased by RMB133,578 thousand and RMB271,163 thousand respectively, treasury stocks increased by RMB404,741 thousand and repurchase obligation under equity incentive plan was RMB404,741 thousand. The lock-up period of the incentive plan to grant restricted shares is 24 months, 36 months and 48 months from the registration date of the shares granted. The restricted shares granted under such plan shall not be transferred, used for guarantee or debt repayment during the lock-up period.

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

On 17 January 2022, the Proposal on Termination of the Restricted A Shares Under the Incentive Plan and Repurchase and Cancellation of Granted but Locked-up Restricted Shares, was reviewed and approved at the 1st interim shareholders' meeting in 2022, the 1st A-share shareholders' meeting in 2022 and the 1st H-share shareholders' meeting in 2022. The Company repurchased and cancelled a total of 126,162 thousand restricted shares that have been granted to 2,099 incentive recipients but not yet unlocked on 17 March 2022.

In 2022, expenses related to third-tranche share-based payments for termination of the restricted shares under the incentive plan, amounting to RMB32,276 thousand, were recognised, and capital surplus was increased accordingly.

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

(76) Share-based payment (Cont'd)

(a) Equity-settled share-based payment (Cont'd)

(ii) Statement of changes in restricted shares for the year

	For the year ended 31 December 2023	**For the year ended 31 December 2022**
Number of outstanding restricted shares at the beginning of the year	-	84,108,000
Number of restricted shares issued in the current year	-	-
Number of restricted shares exercised in the current year	-	-
Number of restricted shares failed in meeting requirements in the current year	-	(84,108,000)
Number of outstanding restricted shares at the end of the year	-	-

(iii) Effect of share-based payment on financial position and financial performance

	For the year ended 31 December 2023	**For the year ended 31 December 2022**
Accumulated amount in capital surplus for equity-settled share-based payment (Note 4(52))	184,585	184,585
Total expenses recognised by equity-settled share-based payment in the current year	-	32,276

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION

(1) Addition of subsidiaries

(a) In 2023, subsidiaries newly incorporated and thus included in the consolidation scope were as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (Unit: RMB)
				Direct	Indirect	
Shanghai Electric Wind Power Group (Jiaozhou) Equipment Manufacturing Co., Ltd.	Shandong Province	Shandong Province	Production and supply of electric power and heat	-	100.00	RMB3,000,000
Shanghai Electric Wind Power Group (Yingkou) New Energy Co., Ltd.	Liaoning Province	Liaoning Province	Production and supply of electric power and heat	-	100.00	RMB6,000,000
Shanghai Electric Wind Power Group (Yantai Muping) New Energy Co., Ltd.	Shandong Province	Shandong Province	Production and supply of electric power and heat	-	100.00	RMB5,000,000
Jinhua Puheng New Energy Co., Ltd.	Shandong Province	Shandong Province	Production and supply of electric power and heat	-	85.00	RMB5,000,000
Shanghai Zhidai New Energy Co., Ltd.	Zhejiang province	Zhejiang province	Technical service industry	-	100.00	RMB5,000,000
Tengenchi Information Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Software and information technology service industry	-	90.00	RMB2,000,000
Shanghai Electric Group Power Transmission and Distribution Equipment Co., Ltd.	Shanghai	Shanghai	Manufacturing of electrical machinery and equipment	100.00	-	RMB1,800,000,000
Shanghai Electric Taonan New Energy Development Co., Ltd.	Jilin Province	Jilin Province	Production and supply of electric power and heat	-	100.00	RMB41,560,000
Shanghai Huizhi Juyang New Energy Co., Ltd.	Jilin Province	Jilin Province	Power supply industry	100.00	-	RMB14,430,000
Wuhu Lingyu New Energy Co., Ltd.	Shanghai	Shanghai	Production and supply of electric power and heat	-	100.00	RMB1,450,000
Wuxi Chengxu New Energy Co., Ltd.	Anhui Province	Anhui Province	Production and supply of electric power and heat	-	100.00	RMB4,700,000
Shanghai Xuqu New Energy Co., Ltd.	Jiangsu Province	Jiangsu Province	Production and supply of electric power and heat	-	100.00	RMB7,280,000
Shanghai Electric (Zhangye) New Energy Development Co., Ltd.	Shanghai	Shanghai	Production and supply of electric power and heat	100.00	-	RMB325,000,000
Shanghai Electric (Gaotai) New Energy Development Co., Ltd.	Gansu Province	Gansu Province	Production and supply of electric power and heat	-	100.00	RMB325,000,000

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(1) Addition of subsidiaries (Cont'd)

(a) In 2023, subsidiaries newly incorporated and thus included in the consolidation scope were as follows (Cont'd):

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (Unit: RMB)
				Direct	Indirect	
Shanghai Hengxi Photovoltaic Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	100.00	RMB425,000,000
Shanghai Electric Group Hengxi Photovoltaic Technology (Nantong) Co., Ltd.	Jiangsu Province	Jiangsu Province	Construction and installation industry	-	100.00	RMB425,000,000
Jilin Energy Storage Technology Co., Ltd.	Jilin Province	Jilin Province	Production and supply of electric power and heat	-	100.00	RMB50,000,000
Shanghai Electric Muscat Co., Ltd.	Oman	Oman	Production and supply of electric power and heat	100.00	-	USD299,966.00
Shanghai Jinghuaiwan Real Estate Co., Ltd.	Shanghai	Shanghai	Real estate industry	-	50.00	RMB20,000,000
SKE E - CIGS UK LTD	UK	UK	Wholesale and retail industry	-	51.00	GBP250,000
Shanghai Electric Jiuquan New Energy Equipment Co., Ltd.	Gansu Province	Gansu Province	Manufacturing industry	-	100.00	RMB10,000,000
Zhejiang Zhihua New Energy Co., Ltd.	Zhejiang province	Zhejiang province	Production and supply of electric power and heat	-	100.00	RMB50,000,000
Shanghai Zhiyun New Energy Co., Ltd.	Shanghai	Shanghai	Production and supply of electric power and heat	-	100.00	RMB42,500,000
3060 Mixed Tower (Chifeng) Wind Power Co., Ltd.	Inner Mongolia	Inner Mongolia	Manufacturing industry	-	100.00	RMB20,000,000
Shanghai Zhiruo New Energy Co., Ltd.	Shanghai	Shanghai	Production and supply of electric power and heat	-	100.00	RMB42,500,000
Wenling Yihui New Energy Development Co., Ltd.	Zhejiang province	Zhejiang province	Production and supply of electric power and heat	-	85.00	RMB50,000,000
Wenling Shoushu New Energy Development Co., Ltd.	Zhejiang province	Zhejiang province	Production and supply of electric power and heat	-	85.00	RMB50,000,000
Shaanxi Rundian New Energy Co., Ltd.	Shanxi Province	Shanxi Province	Production and supply of electric power and heat	-	51.00	RMB10,000,000
Shanghai Electric (Heyang County) Energy Equipment Co., Ltd.	Shanxi Province	Shanxi Province	Manufacturing industry	-	100.00	RMB2,000,000
Gaoyi Ruyue New Energy Co., Ltd.	Hebei Province	Hebei Province	Service industry	-	100.00	RMB1,000,000
Gaoyi Zhiheng New Energy Co., Ltd.	Hebei Province	Hebei Province	Service industry	-	100.00	RMB1,000,000

Note: According to the articles of association of Shanghai Jinghuaiwan Real Estate Co., Ltd., the Group can lead their major financial and operation decisions. Therefore, the Group has substantial control over the company and includes it in the scope of consolidation as a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(1) Addition of subsidiaries (Cont'd)

(b) In 2023, subsidiaries newly acquired and thus included in the consolidation scope were as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (Unit: RMB)
				Direct	Indirect	
Shanghai Bogao Technology Limited Company	Shanghai	Shanghai	Technical service industry	-	70.00	3,000,000.00

(2) Disposal of subsidiaries

(a) Information on disposal of subsidiaries in the current year is summarised as follows:

Subsidiaries	Proceeds from disposal	Disposal proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between proceeds from disposal and corresponding shares of net assets in the consolidated financial statements	Amount transferred from other comprehensive income related to initial equity investment to investment income or loss	Amount transferred from other comprehensive income related to initial equity investment to retained earnings
Zhangye Lilong New Energy Development Co., Ltd.	944,167	100.00	Equity transfer	27 December 2023	Completion of equity delivery	316,056	-	-
Jinchang Yongneng New Energy Co., Ltd.	204,054	100.00	Equity transfer	18 December 2023	Completion of equity delivery	131,300	-	-
Shanghai Xinji Machine Tool Co., Ltd.	686,916	100.00	Equity transfer	1 April 2023	Completion of equity delivery	255,356	-	-
American Ecotech Machine Tool Co., Ltd.	-	100.00	Cancellation	1 March 2023	Completion of industrial and commercial cancellation registration	-	-	-
Shanghai Electric Lianchuang International Co., Ltd.	20,532	51.00	Equity transfer	8 February 2023	Completion of equity delivery	1,947	-	-
Yulin Zhengxin Electric Power Construction Co., Ltd.	89,949	100.00	Equity transfer	18 December 2023	Completion of equity delivery	(11,785)	-	-
Shanghai Electric Group Battery Technology Co., Ltd.	44,000	55.00	Equity transfer	31 August 2023	Completion of equity delivery	30,424	-	-

6 INTERESTS IN OTHER ENTITIES

(1) Interests in significant subsidiaries

(a) Constitution of the Group

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on share capital and bonds issued	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
SMEI (Note 2(32)(a))	Shanghai	Shanghai	Listed	Manufacturing industry	Share capital 1,022,739	48	-	Equity contribution
Shanghai Boiler Works Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Equity contribution
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	100	-	Equity contribution
Broetje-Automation GmbH	Germany	Germany	Other limited liability	Manufacturing industry	-	-	100	Equity contribution
Shanghai Nanhua-Lanling Electrical Co., Ltd. (Note 1)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	50	Equity contribution
Shanghai Machine Tool Works Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	100	Equity contribution
Shanghai Mitsubishi Elevator Co., Ltd. (Note 1)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	52	Equity contribution
Shanghai Electric Power Generation Equipment Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	60	Incorporation or investment
Shanghai Electric Wind Power Group Co., Ltd.	Shanghai	Shanghai	Listed	Manufacturing industry	Share capital 1,333,333	60.4	0.6	Incorporation or investment
Shanghai Turbine Works Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Electric Nuclear Power Equipment Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Electric Transmission and Distribution Group Co., Ltd. (Note 2(32)(a))	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	50	-	Incorporation or investment

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on share capital and bonds issued	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Shanghai Electrical Apparatus Import & Export Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Service industry	-	100	-	Incorporation or investment
Shanghai Electric Hong Kong Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Financial industry	-	100	-	Incorporation or investment
Shanghai Electric Gas Turbine Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	60	-	Incorporation or investment
Shanghai Electric SHMP Pulverising & Special Equipment Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Service industry	-	100	-	Incorporation or investment
Shanghai Najie Complete Sets of Electric Co., Ltd. (Note 1)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	43	Incorporation or investment
Shanghai Renmin Electrical Apparatus Works	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	34	Business combination involving enterprises under common control
Shanghai Electric Power Transmission & Distribution Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	50	Business combination involving enterprises under common control
Shanghai Blower Works Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Electric Group Finance Co., Ltd.	Shanghai	Shanghai	Other limited liability	Financial industry	-	75	14	Business combination involving enterprises under common control

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on share capital and bonds issued	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Thales SEC Transportation System Limited Company	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	50	Business combination involving enterprises under common control
Shanghai Electric Group Property Company Limited	Shanghai	Shanghai	Corporate-owned	Real estate industry	-	57	-	Business combination involving enterprises under common control
Shanghai Prime Mingyu Machinery Technology Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	87.7	7.9	Incorporation or investment
Shanghai Electric Power Generation Environment Protection Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	95	-	Business combination involving enterprises under common control
Shanghai Electric Industrial Co., Ltd.	Shanghai	Shanghai	Other limited liability	Service industry	-	100	-	Incorporation or investment
Shanghai No.1 Machine Tool Works Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Business combination involving enterprises under common control
Shanghai Electric Leasing Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Service industry	-	100	-	Business combination involving enterprises under common control
Shanghai Denso Fuel Injection Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	61	-	Business combination involving enterprises under common control
Shanghai Feihang Electric Wire & Cable Co., Ltd. (Note 1)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	30	Business combination involving enterprises not under common control
Shanghai Huapu Cable Co., Ltd. (Note 1)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	40	Business combination involving enterprises not under common control
Communication Company	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	40	-	Incorporation or investment

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on share capital and bonds issued	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Shanghai Electric Investment Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Financial industry	-	100	-	Incorporation or investment
Shenzhen Yinghe Technology Co., Ltd. (Note 2(32)(a))	Guangdong	Guangdong	Listed	Manufacturing industry	Share capital 649,537	-	28	Business combination involving enterprises not under common control

Note 1: According to the articles of association of Shanghai Nanhua-Lanling Electrical Co., Ltd., Shanghai Mitsubishi Elevator Co., Ltd., Shanghai Najie Complete Sets of Electric Co., Ltd., Shanghai Feihang Electric Wire & Cable Co., Ltd., and Shanghai Huapu Cable Co., Ltd., the Group holds the majority of seats in the Board of Directors of the above companies, and can lead their major financial and operation decisions. Therefore, the Group has substantial control over these companies and includes them in the scope of consolidation as subsidiaries.

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(b) Minority interests in significant subsidiaries

The Group determines the subsidiaries with significant minority interests by considering factors such as whether the subsidiaries are listed companies, the proportion of their minority interests to the Group's consolidated shareholders' equity, and the proportion of minority interests' profit or loss to the Group's consolidated net profit, which are set out below:

(i)

Subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the year ended 31 December 2023	Dividends paid to minority shareholders at the end of 2023	Minority interests as at 31 December 2023
SMEI	51.19%	1,074,628	635,201	9,635,355
Shanghai Electric Wind Power Group Co., Ltd.	39.00%	(490,202)	-	2,302,466
Shenzhen Yinghe Technology Co., Ltd.	71.61%	861,944	283,013	4,747,621

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(b) Minority interests in significant subsidiaries (Cont'd)

(ii) The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2023				31 December 2022			
	Current assets	Non-current assets	Total assets	Total liabilities	Current assets	Non-current assets	Total assets	Total liabilities
SMEI	30,699,835	6,516,945	37,216,780	21,008,134	30,917,919	6,588,728	37,506,647	21,922,277
Shanghai Electric Wind Power Group Co., Ltd.	14,870,483	10,986,933	25,857,416	19,983,032	18,337,836	11,870,150	30,207,986	23,057,967
Shenzhen Yinghe Technology Co., Ltd.	14,588,588	2,953,496	17,542,084	11,041,531	13,302,929	3,101,283	16,404,212	10,612,070

	For the year ended 31 December 2023				For the year ended 31 December 2022			
	Revenue	Net profit/ (loss)	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit/ (loss)	Total comprehensive income	Cash flows from operating activities
SMEI	22,321,161	1,562,689	1,562,689	1,265,129	23,569,529	1,533,919	1,533,919	693,788
Shanghai Electric Wind Power Group Co., Ltd.	10,114,213	(1,271,528)	(1,269,013)	(3,948,779)	12,075,140	(338,096)	(340,752)	(717,557)
Shenzhen Yinghe Technology Co., Ltd.	9,749,786	1,019,175	1,019,221	1,398,987	9,019,822	511,213	511,267	328,827

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates

(a) Basic information of significant joint ventures and associates

The Group determines significant joint ventures and associates by considering factors such as whether the joint ventures and associates are listed companies, the proportion of their carrying amounts to the Group's total consolidated assets, and the proportion of investment income from long-term equity investments under equity method to the Group's consolidated net profit, which are set out below:

	Major business location	Place of registration	Nature of business	Shareholding (%)	
				Direct	Indirect
Joint ventures -					
Shanghai Fanuc Intelligent Machines Co., Ltd.	Shanghai	Shanghai	Manufacturing of communication equipment	-	49
Associates -					
Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.	Shanghai	Shanghai	Manufacturing of communication equipment	-	20
Shanghai Siemens Switchgear Co., Ltd.	Shanghai	Shanghai	Manufacturing of electrical machinery and equipment	-	45
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	Shanghai	Shanghai	Manufacturing of communication equipment	-	30

The above-mentioned equity investments are accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(b) Summarised financial information for significant joint ventures

	31 December 2023
	Shanghai Fanuc Intelligent Machines Co., Ltd.
Current assets	1,412,065
Non-current assets	13,383
Total assets	1,425,448
Current liabilities	504,875
Non-current liabilities	-
Total liabilities	504,875
Minority interests	-
Attributable to shareholders of the parent company	920,573
Share of net assets based on shareholding (i)	451,081
Adjustments - Goodwill	-
Carrying amount of investments in associates	451,081
Revenue	1,635,047
Net profit	206,564
Other comprehensive income	-
Total comprehensive income	206,564
Dividends received from associates by the Group for the current year	85,871

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information for significant associates

	31 December 2023
	Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.
Current assets	988,045
Non-current assets	158,398
Total assets	1,146,443
Current liabilities	719,953
Non-current liabilities	-
Total liabilities	719,953
Minority interests	-
Attributable to shareholders of the parent company	426,490
Share of net assets based on shareholding (i)	85,298
Adjustments - Goodwill	-
Carrying amount of investments in associates	85,298
Revenue	3,124,908
Net profit	574,315
Other comprehensive income	-
Total comprehensive income	574,315
Dividends received from associates by the Group for the current year	107,471

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information for significant associates (Cont'd)

	31 December 2023
	Shanghai Siemens Switchgear Co., Ltd.
Current assets	716,699
Non-current assets	155,322
Total assets	872,021
Current liabilities	408,367
Non-current liabilities	32,781
Total liabilities	441,148
Minority interests	-
Attributable to shareholders of the parent company	430,873
Share of net assets based on shareholding (i)	193,893
Adjustments - Goodwill	-
Carrying amount of investments in associates	193,893
Revenue	1,379,300
Net profit	230,767
Other comprehensive income	-
Total comprehensive income	230,767
Dividends received from associates by the Group for the current year	93,167

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information for significant associates (Cont'd)

	31 December 2023
	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
Current assets	2,094,915
Non-current assets	739,837
Total assets	2,834,752
Current liabilities	1,567,571
Non-current liabilities	711
Total liabilities	1,568,282
Minority interests	-
Attributable to shareholders of the parent company	1,266,470
Share of net assets based on shareholding (i)	379,941
Adjustments - Goodwill	-
Carrying amount of investments in associates	379,941
Revenue	4,358,067
Net profit	321,393
Other comprehensive income	-
Total comprehensive income	321,393
Dividends received from associates by the Group for the current year	103,927

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information for significant associates (Cont'd)

(i) The Group calculates share of net assets in proportion of the shareholding based on the amount attributable to the parent company of associates in their consolidated financial statements, which has taken into account the impacts of both the fair value of the identifiable assets and liabilities of the associates upon acquisition of investments in associates and the unification of accounting policies adopted by the associates to those adopted by the Group.

(ii) Other adjustments include the goodwill herein and unrecognised excess loss.

(d) There was no excess loss incurred in significant joint ventures or associates in the current year.

7 SEGMENT INFORMATION

Operating segment

The Group's businesses are organised and managed separately based on business nature and the products and services provided. Each operating segment of the Group is a business group, which, distinctive from other operating segments, has its own risks in products and services and gains its own rewards.

Information of each operating segment is summarised as follows:

(1) Energy equipment business segment: design, manufacture and sales of nuclear power equipment, energy storage equipment, coal-fired power generation and auxiliary equipment, gas power generation equipment, wind power equipment, hydrogen equipment, photovoltaic equipment and high-end chemical equipment; provision of power grid and industrial intelligent power supply system solutions;

(2) Industrial equipment business: design, manufacture and sales of elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts and construction industrialisation equipment;

(3) Integrated service business segment: provision of energy, environmental protection and automation engineering and services, including all kinds of traditional and new energy, comprehensive utilisation of solid waste, sewage treatment, flue gas treatment, and rail transit; provision of industrial Internet services; provision of financial services, including financial leasing, factoring, asset management and insurance brokerage; provision of park and property management services based on industrial real estate.

7 SEGMENT INFORMATION (CONT'D)

Operating segment (Cont'd)

Management monitors the results of the business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on reported segment profit. Segment profit is an indicator of adjusted total profit, which is consistent with the Group's total profit but excludes interest income, financial expenses, dividend income, gains on changes in fair value of financial instruments and expenses of headquarters.

Financial assets held for trading, derivatives, dividends receivable, interest receivable, long-term equity investments, debt investments, other debt investments, investment in other equity instruments, other non-current financial assets, deferred tax assets and other undistributed assets of headquarters are not included in segment assets, which are under the unified management of the Group.

Financial liabilities held for trading, derivatives, dividends payable, interest payable, borrowings, income tax expenses payable, deferred tax liabilities and other undistributed liabilities of headquarters are not included in segment liabilities, which are under the unified management of the Group.

Inter-segment transfer prices are measured by reference to the prices of transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

7 SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the year ended 31 December 2023 is as follows:

	Energy equipment	Industrial equipment	Integration service	Others	Unallocated	Inter-segment elimination	Total
Revenue							
Including: Revenue from external customers	55,764,915	38,900,077	20,018,138	27,652	86,295	-	114,797,077
Inter-segment revenue	2,883,452	1,502,192	1,368,775	73,623	103,837	(5,931,879)	-
	58,648,367	40,402,269	21,386,913	101,275	190,132	(5,931,879)	114,797,077
Operating cost	47,114,866	33,630,053	18,466,605	67,787	707	(6,075,472)	93,204,546
Credit impairment losses	1,704,834	384,653	(93,078)	86	109,985	(924,421)	1,182,059
Asset impairment losses	1,693,767	68,370	409,176	-	118,000	(14,302)	2,275,011
Depreciation and amortisation	1,621,438	507,287	1,298,514	40,630	276,166	-	3,744,035
Financial expenses	-	-	-	-	1,081,918	-	1,081,918
Share of profit of associates and joint ventures	-	-	-	-	1,025,375	-	1,025,375
Operating profit	(409,876)	1,683,754	1,437,421	(175,219)	(248,786)	1,067,836	3,355,130
Non-operating income and expenses							(60,321)
Total profit							3,294,809
Assets and liabilities							
Total assets	131,608,688	63,463,603	107,176,542	712,825	52,449,905	(72,144,996)	283,266,567
Total liabilities	80,170,470	40,089,957	79,047,636	211,144	70,285,651	(63,464,931)	206,339,927
Non-cash expenses other than depreciation and amortisation	2,287,382	235,636	220,122	-	-	-	2,743,140
Increase in non-current assets	2,956,939	989,912	1,435,060	64,115	7,044	-	5,453,070

7 SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the year ended 31 December 2022 is as follows:

	Energy equipment	Industrial equipment	Integration service	Others	Unallocated	Inter-segment elimination	Total
Revenue							
Including: Revenue from external customers	53,638,857	38,996,009	24,969,319	18,585	348	-	117,623,118
Inter-segment revenue	2,454,522	1,537,037	1,738,270	110,777	75,290	(5,915,896)	-
	56,093,379	40,533,046	26,707,589	129,362	75,638	(5,915,896)	117,623,118
Operating cost	45,971,002	34,216,208	24,473,918	85,819	650	(6,162,778)	98,584,819
Credit impairment losses	1,621,249	396,509	1,054,248	(415)	(54,010)	(924,116)	2,093,465
Asset impairment losses	982,414	(1,301)	2,705,322	-	-	(1,541,518)	2,144,917
Depreciation and amortisation	1,235,268	477,594	1,222,508	23,869	278,057	-	3,237,296
Financial expenses	-	-	-	-	1,301,049	-	1,301,049
Share of profit of associates and joint ventures	-	-	-	-	858,533	-	858,533
Operating profit/(loss)	593,597	1,196,098	(1,146,785)	(172,847)	(1,052,575)	(1,441,946)	(2,024,458)
Non-operating income and expenses							49,160
Total loss							(1,975,298)
Assets and liabilities							
Total assets	96,921,901	73,162,858	171,575,801	723,438	46,938,962	(101,302,108)	288,020,852
Total liabilities	85,584,309	44,574,783	102,558,459	242,439	61,462,045	(100,595,350)	193,826,685
Non-cash expenses other than depreciation and amortisation	1,715,235	188,748	1,956,639	2,218	24,026	-	3,886,866
Increase in non-current assets	3,082,202	644,982	3,515,307	7,735	266,513	-	7,516,739

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

7 SEGMENT INFORMATION (CONT'D)

(c) Revenue from external customers

	For the year ended 31 December 2023	For the year ended 31 December 2022
The Chinese mainland	94,695,239	99,204,461
Other countries and geographical areas	20,101,838	18,418,657
	114,797,077	117,623,118

Revenue from external customers is attributed to the region where corresponding customers come from.

(d) Total non-current assets

	31 December 2023	31 December 2022
The Chinese mainland	59,120,166	59,728,501
Other countries and geographical areas	6,089,973	7,064,563
	65,210,139	66,793,064

Non-current assets, excluding financial assets and deferred tax assets, are attributed to the region where the assets are located in.

In 2023 and 2022, there was no single customer of the Group whose revenue exceeded 10% of the Group's revenue.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) General information of the parent company

(a) General information of the parent company

	Place of registration	Nature of business
Electric Holdings	Shanghai	Contracting, manufacturing, sales and service

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

(b) Registered capital and changes in registered capital of the parent company

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Electric Holdings	10,849,366	-	-	10,849,366

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(1) Information of the parent company (Cont'd)

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2023		31 December 2022	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Electric Holdings	49.78%	49.78%	49.78%	49.78%

(2) Information of subsidiaries

The general information and other related information of subsidiaries are set out in Note 6.

(3) Information of joint ventures and associates

The general information and other related information of joint ventures and associates are set out in Note 6.

(4) Information of other related parties

	Relationship with the Group
Suzhou Thvow Technology Co., Ltd.	Controlled by the parent company
Wuhu Highly Marelli Automotive Thermal Management System Co., Ltd.	Controlled by the parent company
Wuhu Highly Property Management Co., Ltd.	Controlled by the parent company
Wuhu Highly New Energy Technology Co., Ltd.	Controlled by the parent company
Mianyang Highly Electrical Appliances Co., Ltd.	Controlled by the parent company
Highly Marelli Automotive Systems Co., Ltd.	Controlled by the parent company
Highly Marelli (Wuxi) Automotive Thermal Management System Co., Ltd.	Controlled by the parent company
Highly Marelli (Nantong) Automotive Air Conditioning Compressor Co., Ltd.	Controlled by the parent company
Hangzhou Fusheng Electrical Appliance Co., Ltd.	Controlled by the parent company
Anwha (Shanghai) Automation Engineering Co., Ltd.	Controlled by the parent company
Zhanghuaji (Suzhou) Heavy Equipment Co., Ltd.	Controlled by the parent company
Pacific Mechatronic (Group) Co., Ltd.	Controlled by the parent company
Thar Coal Field No. 1 Area Power Generation Co., Ltd.	Controlled by the parent company
Nanchang Highly Electrical Appliances Co., Ltd.	Controlled by the parent company
Sino Sindh Resources (Pvt.) Ltd.	Controlled by the parent company
China National Machinery Power Engineering Co., Ltd.	Controlled by the parent company

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Information of other related parties (Cont'd)

	Relationship with the Group
Shanghai Jizhi Medical Technology Co., Ltd.	Controlled by the parent company
Shanghai Heavy Machinery Plant Co., Ltd.	Controlled by the parent company
Shanghai Lianhe Instrumentation Co., Ltd.	Controlled by the parent company
Shanghai Marine Crankshaft Co., Ltd.	Controlled by the parent company
Shanghai Automation Instrumentation Co., Ltd.	Controlled by the parent company
Shanghai Lianhe Wood Industry Co., Ltd.	Controlled by the parent company
Shanghai Electric Group Hong Kong Co., Ltd.	Controlled by the parent company
Shanghai Electric Light Industry Asset Management Co., Ltd.	Controlled by the parent company
Shanghai Electric Light Industry Tools Co., Ltd.	Controlled by the parent company
Shanghai Electric Property Co., Ltd.	Controlled by the parent company
Shanghai Electric Investment (Dubai) Co., Ltd.	Controlled by the parent company
Shanghai Electric International Economic & Trading Co., Ltd.	Controlled by the parent company
Shanghai Electric Enterprise Development Co., Ltd.	Controlled by the parent company
Shanghai Electric Human Resources Co., Ltd.	Controlled by the parent company
Shanghai Electric (Group) Corporation Education Centre	Controlled by the parent company
Shanghai Highly Foundry Co., Ltd.	Controlled by the parent company
Shanghai Highly Electrical Appliances Co., Ltd.	Controlled by the parent company
Shanghai Highly Special Cooling Equipment Co., Ltd.	Controlled by the parent company
Shanghai Highly New Energy Technology Co., Ltd.	Controlled by the parent company
Shanghai Highly (Group) Co., Ltd.	Controlled by the parent company
Shanghai Xinji Machine Tool Co., Ltd.	Controlled by the parent company
Shanghai Enamelware & Stainless Steel Products United Corporation	Controlled by the parent company
Shanghai Ningsheng Industrial Co., Ltd.	Controlled by the parent company
Shanghai Shuang'ai Property Management Co., Ltd.	Controlled by the parent company
Shanghai Beiji Building Materials Market Management Co., Ltd.	Controlled by the parent company
Shanghai Refrigeration Machine Works Co., Ltd.	Controlled by the parent company
Shanghai Gongxin Investment Management Co., Ltd.	Controlled by the parent company
Shanghai Electric (Group) Corporation Power Station Branch	Controlled by the parent company
Shanghai Hero Industrial Co., Ltd.	Controlled by the parent company
Shanghai Electric Bearing Co., Ltd.	Controlled by the parent company

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Information of other related parties (Cont'd)

	Relationship with the Group
Ansaldo Energia S.p.A.	Other related enterprises
Beijing CCSGCC Consulting Services Co., Ltd.	Other related enterprises
Legend Electric (Shenyang) Co., Ltd.	Other related enterprises
China City State Grid (Beijing) Comprehensive Energy Corporation	Other related enterprises
Shanghai Di'an Investment Management Co., Ltd.	Other related enterprises
Shanghai Shenxin Wind Power Co., Ltd.	Other related enterprises
Shanghai Paibo Zhidian Enterprise Management Co., Ltd.	Other related enterprises
Shanghai Micro Electronics Equipment (Group) Co., Ltd.	Other related enterprises
Shanghai Target Investment Management Co., Ltd.	Other related enterprises
Shanghai Dalong Machinery Plant Co., Ltd.	Other related enterprises
Shanghai 800 Show Co. Ltd.	Other related enterprises
Mitsubishi Electric Corporation	Other related enterprises
Siemens AG	Other related enterprises
Siemens Transformer (Jinan) Co., Ltd.	Other related enterprises
Siemens (China) Co., Ltd. Shanghai Branch	Other related enterprises
Siemens Gamesa Renewable Energy (Shanghai) Co., Ltd.	Other related enterprises

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions

The pricing on transactions between the Group and related parties is based on market prices of similar products or businesses.

(a) Purchase and sales of goods, and rendering and receipt of services

Purchase of goods and receipt of services:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Electric Holdings	-	159
Companies controlled by the parent company	251,944	228,531
Joint ventures	94	-
Associates	3,192,247	3,511,711
Other related enterprises	617,795	561,354
	4,062,080	4,301,755

Sales of goods and rendering of services:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Electric Holdings	229,092	155,928
Companies controlled by the parent company	258,950	288,701
Joint ventures	10,999	-
Associates	960,406	679,566
Other related enterprises	4,652,741	4,053,655
	6,112,188	5,177,850

Construction income from related parties

	For the year ended 31 December 2023	For the year ended 31 December 2022
Companies controlled by the parent company	1,268,154	1,566,446
Associates	-	37,995
Other related enterprises	-	1,369,877
	1,268,154	2,974,318

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(b) Leases

The Group as the lessor:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Lease income:		
Electric Holdings	16,298	16,162
Companies controlled by the parent company	158,327	13,906
Joint ventures	6,963	4,060
Associates	16,215	13,678
Other related enterprises	1,440	12,123
	199,243	59,929

Right-of-use assets leased in the current year with the Group as the lessee:

	Type of the leased asset	For the year ended 31 December 2023	For the year ended 31 December 2022
Companies controlled by the parent company	Fixed assets	8,991	13,348

(c) Loans from related parties to the Group

	For the year ended 31 December 2023	For the year ended 31 December 2022
Electric Holdings	122,750	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(d) Loans from the Group to related parties and interest incurred

	For the year ended 31 December 2023	For the year ended 31 December 2022
Joint ventures	118,163	255,852

(e) Loans repaid by the Group to related parties

	For the year ended 31 December 2023	For the year ended 31 December 2022
Electric Holdings	30,000	450,000
Companies controlled by the parent company	226,966	77,896
	256,966	527,896

(f) Borrowing guarantees provided by the Group to related parties

(i)

	31 December 2023		31 December 2022	
	Cap amount	Actual amount	Cap amount	Actual amount
China National Machinery Power Engineering Co., Ltd.	128,000	37,200	1,256,000	1,159,600
Yumen Xinneng CSP No.1 Electric Power Co., Ltd.	100,000	67,000	100,000	75,000
Suzhou Thvow Technology Co., Ltd.	104,000	94,000	910,000	649,400
Nabtesco (China) Precision Machine Co., Ltd.	19,884	19,884	20,734	20,734
Tianjin Qingyuan Water Treatment Technology Co., Ltd.	253,000	160,730	253,000	202,852

(ii) A subsidiary of the Group and Electric Holdings jointly established Shanghai Electric Investment (Dubai) Co., Ltd. to participate in the power station project. After the project is launched, Electric Holdings provides guarantees for the financing of the project company. The Group provides counter-guarantees to Electric Holdings according to the indirect shareholding ratio of 20% of the project company. The counter-guarantee is expected to not exceed USD166,800,000 (equivalent to RMB1,180,000,000). As at 31 December 2023, the counter-guarantee was in Stage 1.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(g) Borrowing guarantees provided by related parties to the Group

Communication Company, a subsidiary of the Group, entered into the Contract for Syndicated Loans of RMB One Billion One Hundred and Eighty-eight Million ("Host Contract") with Shanghai Pudong Development Bank Co., Ltd. Fengxian Sub-branch ("Guarantee Agency"), Postal Savings Bank of China Co., Ltd. Shanghai Putuo Sub-branch, Bank of Communications Co., Ltd. Shanghai Branch, Bank of Ningbo Co., Ltd. Shanghai Branch, Bank of Jiangsu Co., Ltd. Shanghai Fengxian Sub-branch, China CITIC Bank Corporation Limited Shanghai Branch and Bank of Hangzhou Co., Ltd. Shanghai Branch (collectively the "Syndicate" or "Lenders"). As the guarantor, the Group's parent company Electric Holdings concluded the Guarantee Contract for Syndicated Loans of RMB One Billion Two Hundred and One Million ("Guarantee Contract") with the Syndicate and Communication Company, in which Electric Holdings has affirmed that where Communication Company fails to fulfil debt obligations as per the Host Contract, the Guarantee Agency (on behalf of all Lenders) has the right to request all or any of guarantors under the Guarantee Contract to assume full guarantee liabilities within the scope of the contract, regardless of whether each Lender is entitled to other warranty for the debts in relation to the Host Contract (including but not limited to the form of guarantee, mortgage and pledge). However, the Guarantee Agency has no right to force other warrantors or guarantors to bear warranty liabilities. The guarantee period ends three years after the expiry of the debt obligations.

(h) Transfer of assets

On 14 March 2023, the Board of Directors of the Company reviewed and approved the Proposal on the Transfer of 100% of Equity Interests in Shanghai Xinji Machine Tool Co., Ltd. from Shanghai Electric Group Co., Ltd. to Shanghai Electric Holdings Group Co., Ltd. The Board agreed that the Company would transfer its 100% of equity interests in Shanghai Xinji Machine Tool Co., Ltd. to Electric Holdings. The equity interest transfer was settled on 1 April 2023, with rights and obligations transferred.

(i) Remuneration of key management (in HKD'000)

	For the year ended 31 December 2023	For the year ended 31 December 2022
Directors	**4,015**	4,749
Supervisors	**2,236**	2,050
Senior management	**9,038**	11,039
	15,289	17,838

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties

		31 December 2023		31 December 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Electric Holdings	125,775	118	43,039	401
	Companies controlled by the parent company	6,798,713	141,555	4,347,188	204,927
	Joint ventures	934,559	-	630	-
	Associates	-	49,209	322,532	30,151
	Other related enterprises	969,418	16,144	1,028,003	12,543
		8,828,465	207,026	5,741,392	248,022
Notes receivable	Companies controlled by the parent company	6,020	-	3,631	-
	Associates	43,734	23	-	-
	Other related enterprises	8,176	-	1,600	-
		57,930	23	5,231	-
Other receivables	Companies controlled by the parent company	404,224	1,646	650	-
	Joint ventures	39,000	-	39,000	-
	Associates	1,345,532	675,075	1,288,404	468,520
	Other related enterprises	50	-	532,230	-
		1,788,806	676,721	1,860,284	468,520
Contract assets	Companies controlled by the parent company	1,549,750	10,677	60,878	4,546
	Associates	112,714	1,709	408,455	5,271
	Other related enterprises	21,733	772	1,617,740	55,890
		1,684,197	13,158	2,087,073	65,707
Other non-current assets - Contract assets	Electric Holdings	10,918	38	-	-
	Companies controlled by the parent company	27,917	98	7,600	233
	Other related enterprises	46,252	2,125	13,374	485
		85,087	2,261	20,974	718
Long-term receivables (including the current portion)	Joint ventures	1,790,867	595,726	1,672,704	604,795

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties (Cont'd)

As at 31 December 2023 and 31 December 2022, the aforesaid balances of long-term receivables represented borrowing to related parties, which were in Stage 2.

		31 December 2023	31 December 2022
Prepayments	Companies controlled by the parent company	70,460	95,184
	Associates	184,474	345,070
	Other related enterprises	613,224	304,048
		868,158	744,302
Dividends receivable	Associates	-	88,615

The above prepayments and dividends receivable have not been provided for bad debts.

		31 December 2023	31 December 2022
Accounts payable	Companies controlled by the parent company	153,504	219,643
	Joint ventures	50	251
	Associates	429,847	413,944
	Other related enterprises	139,304	283,817
		722,705	917,655
Notes payable	Companies controlled by the parent company	21,658	2,247
	Associates	287,383	360,438
	Other related parties	-	46,952
		309,041	409,637

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties (Cont'd)

		31 December 2023	31 December 2022
Advances from customers	Electric Holdings	-	16,685
	Companies controlled by the parent company	17,527	4,335
	Associates	35,556	2,894
	Other related enterprises	3,104	5,398
		56,187	29,312
Contract liabilities	Electric Holdings	120,519	174,327
	Companies controlled by the parent company	446,060	980,539
	Associates	3,563	4,231
	Other related enterprises	112,205	5,332
		682,347	1,164,429
Other payables	Companies controlled by the parent company	12,523	7,758
	Joint ventures	-	1,696
	Associates	-	30
	Other related enterprises	149,379	307,600
		161,902	317,084
Dividends payable	Companies controlled by the parent company	10,660	-
	Other related enterprises	-	124,523
		10,660	124,523

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties (Cont'd)

		31 December 2023	31 December 2022
Current portion of long-term payables	Electric Holdings	71,600	30,000
	Companies controlled by the parent company	205,540	432,505
	Associates	38,043	36,503
		315,183	499,008
Long-term payables	Electric Holdings	122,750	71,600
Lease liabilities	Electric Holdings	17,317	18,321
	Companies controlled by the parent company	24,444	26,522
		41,761	44,843

(7) Deposit and loan services provided by the Finance Company to related parties

Deposits from customers

	31 December 2023	31 December 2022
Electric Holdings	3,846,374	3,222,045
Companies controlled by the parent company	3,205,979	2,653,021
Associates	3,859	4,958
Other related enterprises	27,033	34,797
	7,083,245	5,914,821

Interest costs

	For the year ended 31 December 2023	For the year ended 31 December 2022
Electric Holdings	40,707	29,312
Companies controlled by the parent company	43,989	45,405
Associates	24	49
Other related enterprises	324	399
	85,044	75,165

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(7) Deposit and loan services provided by the Finance Company to related parties (Cont'd)

Loans

	31 December 2023		31 December 2022	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Electric Holdings	4,578,750	145,146	1,487,500	47,910
Companies controlled by the parent company	4,369,675	294,030	5,341,330	479,602
Associates	-	-	20,000	2,796
Other related enterprises	-	-	19,997	2,796
	8,948,425	439,176	6,868,827	533,104

Discounting

	31 December 2023	31 December 2022
Companies controlled by the parent company	-	259,636
Associates	-	1,859
	-	261,495

Interest income and fee income on loans and bills discounting

	For the year ended 31 December 2023	For the year ended 31 December 2022
Electric Holdings	84,269	89,082
Companies controlled by the parent company	178,552	49,899
Associates	396	1,109
Other related enterprises	-	558
	263,217	140,648

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests

(a) Remuneration of directors and CEO

The remuneration of each director, supervisor and CEO in 2023 is as follows (in HKD'000):

Name of Directors	Title	Fees	Salaries and benefits	Pension plan	Bonus	Other benefit	Compensation for other services provided to the Group	Total
Ms. Leng Weiqing	Director, Chairlady, Chief executive officer (resigned)	-	1,214	-	-	-	-	1,214
Mr. Liu Ping	Director and President	-	880	-	-	-	-	880
Mr. Zhu Zhaokai	Director	-	1,093	-	-	-	-	1,093
Ms. Yao Minfang	Director(resigned)	-	-	-	-	-	-	-
Ms. Li An	Director(resigned)	-	-	-	-	-	-	-
Dr. Xi Juntong	Independent director	276	-	-	-	-	-	276
Dr. Xu Jianxin	Independent director	276	-	-	-	-	-	276
Dr. Liu Yunhong	Independent director	276	-	-	-	-	-	276
Mr. Cai Xiaoqing	Supervisor and Chairman of the Board of Supervisors	-	1,214	-	-	-	-	1,214
Mr. Han Quanzhi	Supervisor	-	-	-	-	-	-	-
Mr. Yuan Shengzhou	Supervisor(employee representative)	-	1,022	-	-	-	-	1,022
Mr. Dong Jianhua	Vice president	-	1,047	-	-	-	-	1,047
Mr. Chen Ganjin	Vice president	-	937	-	-	-	-	937
Mr. Gu Zhiqiang	Vice president	-	1,045	-	-	-	-	1,045
Mr. Jin Xiaolong	Vice president	-	937	-	-	-	-	937
Ms. Yang Hong	Vice president	-	915	-	-	-	-	915
Mr. Zhou Zhiyan	Chief Financial Officer, Board Secretary	-	1,341	-	-	-	-	1,341
Ms. Tong Liping	Chief Legal Officer	-	1,324	-	-	-	-	1,324
Ms. Fu Min	Chief Auditor and Chief Compliance Officer	-	1,179	-	-	-	-	1,179
Mr. Zhang Mingjie	Chief Operating Officer (resigned)	-	313	-	-	-	-	313
		828	14,461	-	-	-	-	15,289

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests (Cont'd)

(a) Remuneration of directors and CEO (Cont'd)

The remuneration of each director, supervisor and CEO in 2022 is as follows (in HKD'000):

Name of Directors	Title	Fees	Salaries and benefits	Pension plan	Bonus	Other benefit	Compensation for other services provided to the Group	Total
Ms. Leng Weiqing	Director, Chairlady, Chief Executive Officer	-	975	-	-	-	-	975
Mr. Gan Pin	Vice chairman	-	815	-	-	-	-	815
Mr. Liu Ping	Director and President	-	1,033	-	-	-	-	1,033
Mr. Zhu Zhaokai	Executive director	-	1,086	-	-	-	-	1,086
Ms. Yao Minfang	Non-executive director	-	-	-	-	-	-	-
Ms. Li An	Non-executive director	-	-	-	-	-	-	-
Dr. Xi Juntong	Independent director	280	-	-	-	-	-	280
Dr. Xu Jianxin	Independent director	280	-	-	-	-	-	280
Dr. Liu Yunhong	Independent director	280	-	-	-	-	-	280
Mr. Cai Xiaoqing	Chairman of the Board of Supervisors	-	1,042	-	-	-	-	1,042
Mr. Han Quanzhi	Supervisor	-	-	-	-	-	-	-
Mr. Yuan Shengzhou	Staff Supervisor	-	1,008	-	-	-	-	1,008
Mr. Dong Jianhua	Vice president	-	1,360	-	-	-	-	1,360
Mr. Chen Ganjin	Vice president	-	1,274	-	-	-	-	1,274
Mr. Gu Zhiqiang	Vice president	-	1,268	-	-	-	-	1,268
Mr. Jin Xiaolong	Vice president	-	1,281	-	-	-	-	1,281
Ms. Yang Hong	Vice president	-	1,274	-	-	-	-	1,274
Mr. Zhou Zhiyan	Secretary of the Board of Directors and Chief Financial Officer	-	1,119	-	-	-	-	1,119
Ms. Tong Liping	Chief Legal Officer	-	1,343	-	-	-	-	1,343
Ms. Fu Min	Chief Auditor	-	849	-	-	-	-	849
Mr. Zhang Mingjie	Chief Investment Officer	-	1,271	-	-	-	-	1,271
		840	16,998	-	-	-	-	17,838

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests (Cont'd)

(a) Remuneration of directors and CEO (Cont'd)

(i)

	Provide director services for the Company or its subsidiaries		Provide other services for the Company or its subsidiaries		Total	
	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022
Directors' remuneration	4,015	4,749	-	-	4,015	4,749

(ii) In 2023, no director waived any remuneration (2022: Nil).

(b) Director's retirement benefits

In 2023, the Group provided no retirement benefits arising from provision of director services (2022: Nil), and no retirement benefits arising from provision of other services (2022: Nil).

(c) Consideration paid to third parties in return for director services

In 2023, the Company made no payments to the company where a director of the Company had previously served (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests (Cont'd)

(d) Loans, quasi-loans and other transactions provided to directors, legal persons controlled by directors, and associated persons of directors

(e) In 2023, the Group did not provide loans and quasi-loans to directors, legal persons controlled by directors and associated persons of directors (2022: Nil), or did not provide guarantees for loans from directors, legal persons controlled by directors and associated persons of directors (2022: Nil).

(f) Substantial interests of directors in transactions, arrangements or contracts

In 2023, the Company did not sign with other parties any important transactions, arrangements or contracts related to the Group's business within which the directors of the Company directly or indirectly have substantial interests.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(9) The five individuals whose remunerations are the highest

The five individuals whose remunerations were the highest in the Group for 2023 included 0 director(s) (2022: no director) whose remunerations were reflected in Note 8(8). The remunerations payable to the remaining 5 (2022: 5) individuals during the year were as follows (in HKD'000):

	For the year ended 31 December 2023	For the year ended 31 December 2022
Salaries	11,812	10,793
Housing subsidies	-	-
Bonus	-	-
Other benefits	-	-
Pension plan	-	189
Entry bonus	-	-
Severance compensation	-	-
Others	-	-
	11,812	10,982

	Number of employees	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Range of remuneration:		
HKD1,500,001 - HKD2,000,000	-	4
HKD2,000,001 - HKD2,500,000	4	-
HKD2,500,001 - HKD3,000,000	-	-
HKD3,000,001 - HKD3,500,000	1	1
HKD3,500,001 - HKD4,000,000	-	-
HKD4,000,001 - HKD4,500,000	-	-
HKD4,500,001 - HKD5,000,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

9 CONTINGENCIES

In June 2008, Shanghai Electric signed the Equipment Supply and Service Contract with an Indian buyer to provide major equipment and related services to a coal-fired power station project in Sasan, India, with a total contract amount of USD1,311 million, and a guarantee letter from its related parties was provided for the payment obligations under the contract.

In December 2019, due to long-term default in the payment of equipment expenses and other related expenses by the buyer, the Company submitted an arbitration application to the Singapore International Arbitration Centre ("SIAC"), requiring the guarantor to pay the Company at least USD135 million of equipment expenses and other related payables as prescribed in the guarantee letter, and in December 2020, the Company submitted an application to the High Court of India for property preservation of the guarantor. In December 2022, the Company received an arbitration notice from SIAC in respect of this arbitration ("Arbitration I"), which ruled as follows: the guarantor shall pay the Company an aggregate amount of USD146 million, including outstanding payments for work performed, pre-ruling interest thereon and other legal expenses; the relevant arbitration costs shall be borne by the guarantor; and the guarantor shall pay the Company post-ruling interest on the amount of the aforementioned ruling up to the date of payment. As at the issue date of these financial statements, the Company has not received the above amounts.

On 23 February 2021, the Company received a notice from SIAC for the acceptance of the arbitration application, where the buyer and its related parties asserted quality issues with the equipment supplied by the Company on the project, requesting the Company to compensate their losses of approximately USD416 million, mainly including the losses of USD132 million in power plant operation, losses of USD221 million in electricity revenue and other related expenses. In June 2021, the Company received a letter of withdrawal from SIAC, in which the applicant confirmed the withdrawal of the arbitration case.

In August 2021, the Company received a copy ("Lawsuit I") of the indictment filed by the lawyer of the operator of the coal-fired power station project, in which the operator sued the general contractor and the buyer of the project (related parties of the operator) and the Company, seeking joint liabilities from all defendants for losses of approximately RMB2,133 million, mainly including losses in power plant operation, losses in electricity revenue, interest and other expenses.

In December 2021, the Company received a notice ("Arbitration II") from SIAC for the acceptance of the arbitration application, where the buyer of the above-mentioned project asserted quality issues with the equipment supplied by the Company on the project, claiming for losses of approximately USD389 million from Shanghai Electric, mainly including losses in power plant operation, losses in electricity revenue, repair fees, penalty for shipment delay and other expenses.

In July 2022, the High Court of Bombay in India dismissed the petition ("Lawsuit I") on the grounds that the plaintiff did not satisfy the conditions of the lawsuit and failed to amend the petition within the prescribed time. As at the issue date of these financial statements, the Company has not received any formal documents issued by the Indian court.

In May 2023, the Company received a notice from the Singapore International Commercial Court ("SICC") that the guarantor had filed an application to the SICC for withdrawal of SIAC's Arbitration I award and the application was accepted by the SICC.

On 31 January 2024, the Company received a notice from the SICC that the SICC had rendered a judgement dismissing the guarantor's application for withdrawal of the Arbitration I award and also ordered the guarantor to pay the relevant litigation costs for this case to the Company.

9 CONTINGENCIES (CONT'D)

As at the issuance date of the financial statements, Arbitration I is pending and Arbitration II has not yet been concluded. In light of the written comment from external lawyers, management believed that it was unlikely that SIAC would uphold the claims against the Company and thus no provisions were made for the lawsuits.

Except for the above lawsuits, as at 31 December 2023, the Group's contingent liabilities arising from other pending lawsuits and arbitration cases amounted to RMB1,631,147 thousand. Since management believes that the opponent's claim is less likely to be supported, no provision is made for estimated liabilities for the sued case (31 December 2022: RMB832,710 thousand).

As at 31 December 2023, the upper limit of loan guarantees to be provided by the Group for related parties was RMB604,884 thousand while the balance of loan guarantees already provided by the Group was RMB2,107,586 thousand (31 December 2022: RMB2,107,586 thousand) (Note 8(5)(f)), and provided counter-guarantees to Electric Holdings in an amount not expected to exceed USD166.8 million (equivalent to RMB1.18 billion) (Note 8(5)(f)). In 2023, the bank acceptances notes issued for related parties was RMB2,409 thousand (31 December 2022: Nil). The Group recognised the above-mentioned related provisions of RMB202,167 thousand (Note 4(43)(b)).

As at 31 December 2023, there were no significant contingent liabilities related to the equity of joint ventures and associates.

10 COMMITMENTS

(1) Capital commitments

	31 December 2023	31 December 2022
Contracted	847,565	1,788,918
Authorised but not contracted	7,085	2,110
	854,650	1,791,028

(2) As the lessor under operating lease

According to the lease contracts signed with the lessee, the minimum leases receipts under irrevocable leases are as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	19,536	52,568
1 to 2 years (inclusive)	43,705	46,200
2 to 3 years (inclusive)	45,709	43,520
Over 3 years	150,326	206,975
	259,276	349,263

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

10 COMMITMENTS (CONT'D)

(3) Investment commitments

	31 December 2023	31 December 2022
Contracted but not fulfilled	854,826	534,126

11 EVENTS AFTER THE BALANCE SHEET DATE

As at the date of these financial statements, the Group has no material post balance sheet events.

12 AS THE LESSOR UNDER FINANCE LEASE

As at 31 December 2023, unrealised financing income amounted to RMB934,209 thousand (31 December 2022: RMB825,214 thousand), which was amortised by using the effective interest method over the leasing period. According to the lease contracts signed with the lessee, the minimum leases receipts under irrevocable leases are as follows:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	2,494,836	1,671,539
1 to 2 years (inclusive)	514,434	633,102
2 to 3 years (inclusive)	425,811	542,170
Over 3 years	960,956	1,505,902
	4,396,037	4,352,713

13 FINANCIAL INSTRUMENTS AND RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's operational activities carried out in the Chinese mainland are denominated in RMB, while the overseas activities are denominated in foreign currencies, including USD and EUR, thus the overseas transactions are exposed to foreign exchange risk. In addition, the Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. As at 31 December 2023, the Group's foreign currency borrowings amounted to USD1,135,108 thousand, equivalent to RMB8,039,626 thousand. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

The financial assets and financial liabilities denominated in foreign currencies, which are held by the subsidiaries of the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2023 and 31 December 2022 as follows:

	31 December 2023				
	USD	JPY	EUR	HKD	Total
Financial assets denominated in foreign currencies -					
Cash at bank and on hand	3,551,554	54,118	390,618	1,782	3,998,072
Accounts receivable	11,590,732	-	1,144,803	-	12,735,535
Other receivables	681,355	1,228	175,152	-	857,735
	15,823,641	55,346	1,710,573	1,782	17,591,342
Financial liabilities denominated in foreign currencies -					
Accounts payable	1,562,664	11,499	1,015,441	-	2,589,604
Other payables	1,029,782	19,875	151,150	-	1,200,807
Short-term borrowings	460,376	-	1,645,685	453,100	2,559,161
Long-term borrowings	2,512,883	-	755,888	-	3,268,771
Current portion of long-term borrowings	244,968	-	1,966,726	-	2,211,694
	5,810,673	31,374	5,534,890	453,100	11,830,037

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2022				
	USD	JPY	EUR	HKD	Total
Financial assets denominated in foreign currencies -					
Cash at bank and on hand	3,867,550	57,074	377,532	66,862	4,369,018
Accounts receivable	9,330,967	2,730	2,840	14,388	9,350,925
Other receivables	150,545	182	1	176	150,904
	13,349,062	59,986	380,373	81,426	13,870,847
Financial liabilities denominated in foreign currencies -					
Accounts payable	1,393,582	17,962	1,226	-	1,412,770
Other payables	723	19,814	39,161	71	59,769
Short-term borrowings	898,433	-	1,287,850	468,983	2,655,266
Long-term borrowings	1,963,156	-	2,573,796	-	4,536,952
Current portion of long-term borrowings	728,405	-	100,480	-	828,885
	4,984,299	37,776	4,002,513	469,054	9,493,642

As at 31 December 2023, for the above financial assets and financial liabilities denominated in foreign currencies, if the RMB had strengthened/weakened by 10% against the currency, while all other variables had been held constant and with consideration to the fair value changes in the forward exchange contracts bought by the Company, the Group's profit before tax would have increased/(decreased) as follows:

	Strengthened	Weakened
USD	(1,001,297)	1,001,297
JPY	(2,397)	2,397
EUR	382,432	(382,432)
HKD	45,132	(45,132)

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(1) Market risk (Cont'd)

(b) Interest rate risk

The Group's interest rate risk mainly arises from long-term interest-bearing borrowings including long-term bank borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at December 31, 2023, the Group's floating-rate interest-bearing debts mainly consisted of floating-rate long-term borrowings denominated in RMB, USD and EUR, with the amounts of RMB18,964,383 thousand (31 December 2022: RMB12,326,323 thousand) (Note 4(44)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the year ended 31 December 2023 and the year ended 31 December 2022, the Group did not enter into any significant interest rate swap agreements.

As at 31 December 2023, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's profit before tax would have decreased/increased by approximately RMB94,821 thousand (31 December 2022: approximately RMB61,632 thousand).

(c) Other price risk

The Group's other price risk arises mainly from various investments in equity instruments which are exposed to the risk of price changes on equity instruments.

As at 31 December 2023, if the estimated price of investments in equity instruments had risen/fallen by 5% while all other variables had been held constant, the Group's profit before tax would have been approximately RMB81,482 thousand (31 December 2022: approximately RMB93,671 thousand) higher/lower. There was no (31 December 2022: Nil) impact on other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, loans and advances to customers, long-term receivables, notes receivable, accounts receivable, receivables financing, other receivables, contract assets, debt investments, other debt investments, financial guarantee contracts, and investments in debt instruments and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum credit exposure of the Group. The maximum credit exposure off the balance sheet was the maximum amount of RMB1,786,278 thousand that need to be paid for fulfilment of guarantee obligations/commitments (Note 13(3)), and the bank acceptance notes of RMB2,409 thousand issued for related parties.

The Group expects that there is no significant credit risk associated with cash at bank and bank acceptance notes since they are mainly deposited at and accepted by state-owned banks and other medium or large size listed banks. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

Debt investments and other debt investments held by the Group mainly consist of fixed-income bonds with high credit ratings, such as government bonds and financial bonds. The Group controls its exposure to credit risk by setting overall investment quota, which are reviewed and approved annually. The Group regularly monitors the credit risk exposure of bond investments, changes in credit ratings of bonds and other relevant information to ensure the overall credit risk of the Company is limited to a controllable extent.

The Group has policies to limit the credit exposure on notes receivable, accounts receivable, other receivables and contract assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will chase settlement by using written payment reminders, or shorten/cancel credit periods to ensure the overall credit risk of the Group is limited to a controllable extent. For trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics, the Group evaluated the distribution of expected cash flows under multiple scenarios based on historical credit loss experience, operating model, current situations and forecasts of future conditions of contract counterparties under different situations, taking into account the professional legal advice from external lawyers and the asset preservation related to the litigation, and made corresponding provision for ECL according to ECL rate and the related probability weight under different scenarios.

In addition, financial guarantees or loan commitments may involve risks due to the failure of counterparties. The Group has strict application and approval requirements for financial guarantees or loan commitments. Considering internal and external credit ratings and other information, we continuously monitor credit risk exposures, changes in counterparty credit ratings and other relevant information to ensure the overall credit risk of the Group is limited to a controllable extent.

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(2) Credit risk (Cont'd)

The Group only deals with recognised and reputable third parties on the lease business of the Lease Company. According to the Group's policy, credit review is required for all customers that trade by using credit methods. The Group continuously monitors the balance of long-term lease payments receivable, to prevent the Group from exposure to significant risk of bad debts.

The loan business provided by the Finance Company is dealt with the subsidiaries of Electric Holdings. The Group has established a credit quality evaluation system, setting credit limit and determining required pledge value and guarantee level based on borrower's risk level. Risk assessment includes borrower investigation, risk classification, evaluation and setting of credit limit, loan review and post-lending monitoring. The Group conducts risk assessment regularly, to ensure that the Group timely monitors potential risks and adopts proper precautions.

As at 31 December 2023, the fair value of significant collateral held by the Group as a result of the debtor's mortgage was RMB4,580,796 thousand and the risk exposure on the debt was RMB5,845,686 thousand.

As at 31 December 2023, other receivables of the Group from an associate amounted to RMB1,015,622 thousand. As for the above other receivables, the related enterprises of the associate are committed to assuming joint guarantee liabilities for outstanding amounts under guarantee.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity dates below at their undiscounted contractual cash flows:

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	8,378,072	-	-	-	8,378,072
Financial liabilities held for trading and derivative financial liabilities	37,860	-	-	-	37,860
Notes payable	12,074,199	-	-	-	12,074,199
Accounts payable	59,610,479	-	-	-	59,610,479
Deposits from customers, banks and other financial institutions	7,488,646	-	-	-	7,488,646
Current portion of long-term borrowings	6,223,301	-	-	-	6,223,301
Long-term borrowings	1,025,814	13,067,801	8,500,307	13,533,233	36,127,155
Bonds payable (including the current portion)	22,390	736,287	-	-	758,677
Long-term payables (including the current portion)	467,888	129,952	231,627	200,374	1,029,841
Lease liabilities	312,431	613,561	313,111	250,166	1,489,269
Other financial liabilities	7,051,980	-	-	-	7,051,980
Proceeds from financial assets sold under repurchase agreements	1,000,230	-	-	-	1,000,230
	103,693,290	14,547,601	9,045,045	13,983,773	141,269,709

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(3) Liquidity risk (Cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity dates below at their undiscounted contractual cash flows (Cont'd):

	31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	8,882,068	-	-	-	8,882,068
Financial liabilities held for trading and derivative financial liabilities	42,467	-	-	-	42,467
Notes payable	16,069,558	-	-	-	16,069,558
Accounts payable	57,396,886	-	-	-	57,396,886
Deposits from customers, banks and other financial institutions	6,258,862	-	-	-	6,258,862
Current portion of long-term borrowings	5,642,280	-	-	-	5,642,280
Long-term borrowings	755,706	4,830,228	12,062,189	8,395,299	26,043,422
Bonds payable (including the current portion)	2,623,621	23,850	757,645	-	3,405,116
Long-term payables (including the current portion)	764,983	312,930	55,960	193,964	1,327,837
Lease liabilities	793,997	466,595	238,112	190,244	1,688,948
Other financial liabilities	6,280,898	-	-	-	6,280,898
	105,511,326	5,633,603	13,113,906	8,779,507	133,038,342

(i) As at the balance sheet date, the Group's financial guarantees and non-financial guarantee letters provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial guarantees	1,786,278	-	-	-	1,786,278
Acceptance notes	2,409	-	-	-	2,409
	1,788,687	-	-	-	1,788,687

	31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial guarantees	3,701,429	-	-	-	3,701,429

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

(3) Liquidity risk (Cont'd)

(ii) As at the balance sheet date, the cash flow of lease contracts signed but not yet executed by the Group is listed as follows according to the maturity date:

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	10,401	3,866	8,300	-	22,567

	31 December 2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contractual cash flows not included in lease liabilities	-	-	-	-	-

(iii) The analysis of repayment period of bank borrowings and other borrowings is as follows:

	31 December 2023		31 December 2022	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	15,491,194	8,506,663	15,101,201	11,353,717
1 to 2 years	13,072,470	1,356,594	4,836,612	490,758
2 to 5 years	8,514,314	510,658	12,081,340	995,813
Over 5 years	13,650,550	353,794	8,548,616	190,438
	50,728,528	10,727,709	40,567,769	13,030,726

14 FAIR VALUE ESTIMATES

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

14 FAIR VALUE ESTIMATES (CONT'D)

(1) Assets measured at fair value on a recurring basis

As at 31 December 2023, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	6,254,518	-	-	6,254,518
Investments in equity instruments held for trading	69,727	-	-	69,727
Investments in bonds held for trading	615,337	-	-	615,337
Wealth management products	-	206,885	-	206,885
Non-hedging derivative financial instruments	-	345,896	-	345,896
Derivative financial assets -	-	12,798	-	12,798
Receivables financing -				
Notes receivable measured at fair value through other comprehensive income	-	-	1,242,567	1,242,567
Accounts receivable measured at fair value through other comprehensive income	-	-	112,377	112,377
Other current assets -				
Interbank deposits	-	4,244,935	-	4,244,935
Other non-current financial assets	1,604,695	543,945	5,190,472	7,339,112
Total assets	8,544,277	5,354,459	6,545,416	20,444,152

As at 31 December 2023, the liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	3,425	-	3,425
Financial liabilities held for trading	-	34,435	-	34,435
	-	37,860	-	37,860

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (CONT'D)

(1) Assets measured at fair value on a recurring basis (Cont'd)

As at 31 December 2022, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	5,921,775	-	-	5,921,775
Investments in equity instruments held for trading	152,688	-	-	152,688
Investments in bonds held for trading	1,011,394	-	-	1,011,394
Wealth management products	-	231,175	-	231,175
Non-hedging derivative financial instruments	-	340,406	-	340,406
Derivative financial assets -	-	55,890	-	55,890
Receivables financing -				
Notes receivable measured at fair value through other comprehensive income	-	-	2,056,202	2,056,202
Accounts receivable measured at fair value through other comprehensive income	-	-	49,387	49,387
Other current assets -				
Interbank deposits	-	15,486,059	-	15,486,059
Other non-current financial assets	781,091	-	6,487,372	7,268,463
Total assets	7,866,948	16,113,530	8,592,961	32,573,439

As at 31 December 2022, the liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	10,450	-	10,450
Financial liabilities held for trading	-	32,017	-	32,017
	-	42,467	-	42,467

14 FAIR VALUE ESTIMATES (CONT'D)

(1) Assets measured at fair value on a recurring basis (Cont'd)

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation techniques. For the financial assets at fair value through profit or loss which are recognised at initial recognition, the valuation models used mainly comprise Monte Carlo simulation model, and the inputs of the valuation technique mainly include stock expected yield and stock expected volatility; the fair value of bond investments and wealth management products are basically obtained from third parties' quoted prices of the same or comparable assets, and the valuation models used mainly comprise discounted cash flow model and market comparable corporate model.

The changes in Level 3 assets and liabilities are analysed below:

						Total gains or losses for the current period			
	31 December 2022	Purchases	Decrease	Transfer into Level 3	Transfer out of Level 3	Gains or losses recognised in profit or loss (a)	Gains or losses recognised in other comprehensive income	31 December 2023	Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2023 - Gains or losses on changes in fair value
Financial assets -									
Other non-current financial assets	6,487,372	80,646	(408,055)	-	(884,488)	(85,003)	-	5,190,472	(85,003)
Receivables financing	2,105,589	1,670,492	(2,418,935)	-	-	-	(2,202)	1,354,944	-
	8,592,961	1,751,138	(2,826,990)	-	(884,488)	(85,003)	(2,202)	6,545,416	(85,003)

(a) Gains or losses recognised in profit or loss are included in the income statement under the items of gains on changes in fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (CONT'D)

(1) Assets measured at fair value on a recurring basis (Cont'd)

Information about the Level 3 fair value measurement is as follows:

	Valuation technique	Fair value as at 31 December 2023	Inputs: Name	Inputs: Scope/Weighted average	Inputs: Relationship with fair value	Inputs: Observable/ Unobservable
Other non-current financial assets at fair value through profit or loss -						
	Market multiple method	5,021,915	Price to book ratio (P/B)	0.9-3.6	Positive correlation	Unobservable
			Price earnings ratio (PE)	19.1-33.7	Positive correlation	Unobservable
			Price sales ratio (PS)	2.9-7.4	Positive correlation	Unobservable
			Others/Scale risk discount	17.7%-30%	Negative correlation	Unobservable
			Liquidity discount	25%-31%	Negative correlation	Unobservable
	Cost/market price method and scenario analysis method	168,557	Liquidity discount	13.2%-26.2%	Negative correlation	Unobservable
Notes receivable measured at fair value through other comprehensive income -	Income approach	1,242,567	Discount rates	1.3%	Negative correlation	Unobservable
Accounts receivable measured at fair value through other comprehensive income -	Income approach	112,377	Discount rates	4.8%-6%	Negative correlation	Unobservable
		6,545,416				

14 FAIR VALUE ESTIMATES (CONT'D)

(1) Assets measured at fair value on a recurring basis (Cont'd)

Information about the Level 2 fair value measurement is as follows:

	Fair value as at 31 December 2023	Valuation technique	Observable inputs: Name	Observable inputs: Scope/ Weighted average
Derivative financial assets -				
Forward foreign exchange contracts	12,798	Income approach	Forward exchange rate of USD against RMB	Range: 6.7130-7.2258 Weighted average: 7.0467

	Fair value as at 31 December 2022	Valuation technique	Observable inputs: Name	Observable inputs: Scope/ Weighted average
Derivative financial assets -				
Forward foreign exchange contracts	6,209	Income approach	Forward exchange rate of USD against RMB	Range: 6.7297-7.0753 Weighted average: 6.9024

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The Group's financial assets and liabilities measured at amortised cost mainly include notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, lease assets, short-term borrowings, payables, long-term borrowings, bonds payable, lease liabilities and long-term payables.

Except for financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (CONT'D)

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed (Cont'd)

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	30,893,868	29,948,920	21,647,690	20,862,148
Bonds payable	749,300	749,232	748,697	748,310
	31,643,168	30,698,152	22,396,387	21,610,458

The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 2 of the fair value hierarchy.

15 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as 'shareholders' equity' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2023 and 31 December 2022, the Group's gearing ratio is as follows:

	31 December 2023	31 December 2022
Interest-bearing bank borrowings and other borrowings	45,281,492	35,791,159
Bonds	765,374	3,265,305
Lease liabilities	1,450,546	1,433,621
Deposits from customers	7,270,530	6,076,565
Net liabilities	54,767,942	46,566,650
Total equity	76,926,640	94,194,167
Total equity and net liabilities	131,694,582	140,760,817
Gearing ratio	41.59%	33.08%

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivable

	31 December 2023	31 December 2022
Trade acceptance notes	1,000	20,421
Bank acceptance notes	414,157	379,621
Less: Provision for bad debts	-	(713)
	415,157	399,329

(a) As at 31 December 2023, the Company had no pledged notes receivable.

(b) In 2023, the Company endorsed bank acceptance notes for which substantially all the risks and rewards of ownership had been transferred to other parties, and the carrying amounts of the bank acceptance notes derecognised amounted to RMB795,776 thousand (2022: RMB1,558,427 thousand).

As at 31 December 2023, the Group's notes receivable endorsed or discounted but unmatured are as follows:

	Derecognised	Not derecognised
Bank acceptance notes	60,061	8,051

(c) Provision for bad debts

The provision for bad debts of notes receivable is analysed by category as follows:

	31 December 2023				31 December 2022			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Provision for bad debts on the grouping basis	415,157	100%	-	-	400,042	100%	713	0.2%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable

	31 December 2023	31 December 2022
Accounts receivable	13,800,157	13,827,940
Less: Provision for bad debts	(3,004,291)	(3,634,058)
	10,795,866	10,193,882

	31 December 2023		31 December 2022	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual provision ((b)(iii))	2,345,840	(1,635,898)	2,785,043	(2,055,318)
Sovereign credit portfolio((b)(iv))	1,077,291	(392,988)	690,314	(478,967)
Ageing grouping of accounts receivable ((b)(v))	10,377,026	(975,405)	10,352,583	(1,099,773)
	13,800,157	(3,004,291)	13,827,940	(3,634,058)

(a) The analysis of ageing of accounts receivable

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

	31 December 2023	31 December 2022
Not overdue	5,517,540	5,368,878
Overdue within 1 year	1,566,991	3,020,458
Overdue 1 to 2 years	2,463,305	1,884,419
Overdue 2 to 3 years	1,284,419	949,134
Overdue 3 to 4 years	888,551	557,751
Overdue 4 to 5 years	529,719	238,917
Overdue over 5 years	1,549,632	1,808,383
	13,800,157	13,827,940

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

	31 December 2023	31 December 2022
Within 1 year	4,512,904	4,507,892
1 to 2 years	2,097,918	3,100,550
2 to 3 years	2,015,358	2,676,259
3 to 4 years	2,274,820	868,884
4 to 5 years	810,147	746,610
Over 5 years	2,089,010	1,927,745
	13,800,157	13,827,940

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

(b) Provision for bad debts

(i) Movements in provision for bad debts of accounts receivable are as follows:

31 December 2022	3,634,058
Reversal in the current year	(629,767)
31 December 2023	3,004,291

(ii) For the year ended 31 December 2023, the amount of bad debt allowance reversed in was RMB629,767 thousand.

(iii) As at 31 December 2023, accounts receivable with provision for bad debts made on the individual basis are analysed as follows:

	Book balance	Lifetime ECL rates	Provision for bad debts	Reason
Accounts receivable 1	896,550	77.68%	696,440	Part of it will not be recovered
Accounts receivable 2	711,346	99.76%	709,664	Part of it will not be recovered
Others	737,944	20%-100%	229,794	Part of it will not be recovered
	2,345,840		1,635,898	

(iv) As at 31 December 2023, the original value of accounts receivable was RMB 1,077,291 thousand, the bad debt was RMB 392,988 thousand, and the net value was RMB 684,303 thousand (as of December 31, 2022: the original value of accounts receivable was RMB 690,314 thousand, the bad debt was RMB 478,967 thousand, and the net value was RMB 211,347 thousand), which is a receivable with sovereign credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

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

(v) As at 31 December 2023 and 31 December 2022, except for the accounts receivable with sovereign credit risk mentioned in (b), accounts receivable with provision for bad debts made on the grouping basis are analysed as follows:

	31 December 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	5,357,262	0.1%-2%	45,889
Overdue within 1 year	1,236,791	3%-9%	66,821
Overdue 1 to 2 years	2,443,263	6%-21%	234,816
Overdue 2 to 3 years	374,189	8%-36%	53,231
Overdue 3 to 4 years	490,536	14%-68%	196,818
Overdue 4 to 5 years	174,501	20%-92%	123,345
Overdue over 5 years	300,484	80%-100%	254,485
	10,377,026		975,405

	31 December 2022		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	5,368,878	0.1%-2%	62,421
Overdue within 1 year	3,000,752	3%-10%	248,146
Overdue 1 to 2 years	875,737	7%-22%	173,893
Overdue 2 to 3 years	511,987	8%-35%	153,257
Overdue 3 to 4 years	196,066	15%-68%	98,944
Overdue 4 to 5 years	100,532	20%-90%	76,847
Overdue over 5 years	298,631	81%-100%	286,265
	10,352,583		1,099,773

(c) In 2023, our company did not engage in non recourse factoring for accounts receivable, and there were no accounts receivable that were subsequently derecognized (2022: Nil).

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(3) Other receivables

	31 December 2023	31 December 2022
Receivables from the Group's subsidiaries	10,383,250	9,982,082
Receivables from third parties	1,890,594	2,278,775
Receivables from associates	1,015,622	1,015,622
Receivables from Electric Holdings and its subsidiaries	-	2,625
Dividends receivable	504,469	826,453
	13,793,935	14,105,557
Less: Provision for bad debts	(9,038,280)	(8,548,525)
	4,755,655	5,557,032

The Company does not have any fund deposited at other parties under the centralised fund management and represented in other receivables.

(a) As at 31 December 2023, receivables from Electric Holdings and its subsidiaries and dividends receivable of the Company were in Stage 1.

(b) As at 31 December 2023, other receivables with provision for bad debts made on the individual basis are analysed as follows:

	Book balance	Lifetime ECL rates	Provision for bad debts	Reason
Other receivables 1	7,898,309	100%	7,898,309	Unrecoverable by estimation
Other receivables 2	1,015,622	41%	416,621	After considering the credit situation of the debtor and the relevant credit enhancement, it is expected that part of it will not be recovered
Other receivables 3	793,781	62%	489,763	After considering the credit situation of the debtor and the relevant credit enhancement, it is expected that part of it will not be recovered
Other receivables 4	274,169	46%	126,118	After considering the credit situation of the debtor, it is expected that part of it will not be recovered
Others	83,357	100%	83,357	Part of it will not be recovered
	10,065,238		9,014,168	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(3) Other receivables (Cont'd)

(c) As of December 31, 2022, the analysis of bad debt provisions for other receivables with individual provision for bad debts is as follows:

	Book balance	Lifetime ECL rates	Provision for bad debts	Reason
Other receivables 1	7,841,183	100%	7,841,183	Unrecoverable by estimation
Other receivables 2	1,015,622	26%	260,521	After considering the credit situation of the debtor and the relevant credit enhancement, it is expected that part of it will not be recovered
Other receivables 3	793,781	34%	271,494	After considering the credit situation of the debtor and the relevant credit enhancement, it is expected that part of it will not be recovered
Other receivables 4	274,169	25%	68,542	After considering the credit situation of the debtor, it is expected that part of it will not be recovered
Others	83,357	100%	83,357	Part of it will not be recovered
	10,008,112		8,525,097	

(d) The company's other accounts receivable for bad debt provision based on combinations are in the first stage. As of December 31, 2023, the book balance of the aforementioned other accounts receivable was RMB3,728,697 thousand, with a provision for losses of RMB24,112 thousand (December 31, 2022: RMB4,097,445 thousand with a provision for losses of RMB23,428 thousand).

(e) The movement of bad debt provisions for other receivables with individual provision for bad debts are as follows:

	Stage 3 Lifetime ECL
31 December 2022	8,525,097
Increase in the current year	489,071
31 December 2023	9,014,168

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(3) Other receivables (Cont'd)

(f) As at 31 December 2023, other receivables from top five debtors in respect of outstanding balance are analysed as follows:

	Nature	Balance	Ageing	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Receivables from the Group's subsidiaries	7,898,309	Over 3 years	57%	7,898,309
Other receivables 2	Related-party loans	1,015,622	Over 3 years	7%	416,621
Other receivables 3	Purchase deposits	793,781	1 to 2 years	6%	489,763
Other receivables 4	Purchase deposits	274,169	1 to 2 years	2%	126,118
Other receivables 5	Export tax rebates	189,015	Within 1 year	1%	-
		10,170,896			8,930,811

(g) As at 31 December 2023 and 31 December 2022, the Company had no overdue dividends receivable.

(4) Long-term equity investments

	31 December 2023	31 December 2022
Subsidiaries (a)	55,254,042	46,190,874
Joint ventures (b)	114,424	552,543
Associates (c)	1,811,859	2,266,196
	57,180,325	49,009,613
Less: Provision for impairment of long-term equity investments	(737,131)	(933,823)
	56,443,194	48,075,790

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

(a) Subsidiaries

		Movements in the current year								Provision for impairment		
	31 December 2022	New additions	Increase in investments	Decrease in investments	Provision for impairment	Others decreases	Others	31 December 2023	Shareholding (%)	31 December 2023	31 December 2022	Cash dividends declared in the current year
Shanghai Electric Wind Power Group Co., Ltd.	4,728,503	-	68,026	-	-	-	-	4,796,529	60%	-	-	-
Shanghai Electric Industrial Co., Ltd.	1,356,417	-	3,298,093	-	-	-	-	4,654,510	100%	-	-	123,565
Shanghai Electric Hong Kong Co., Ltd.	4,455,683	-	-	-	-	-	-	4,455,683	100%	-	-	-
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2,097,431	-	2,198,729	-	-	-	-	4,296,160	100%	-	-	-
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd..	754,231	-	2,748,411	-	-	-	-	3,502,642	100%	-	-	-
Shanghai Electric Automation Group Co., Ltd.	200,000	-	3,295,339	-	-	-	-	3,495,339	100%	-	-	-
Shanghai Electric Leasing Co., Ltd.	3,091,379	-	-	-	-	-	-	3,091,379	100%	-	-	-
Shanghai Electric Investment Co., Ltd.	2,889,047	-	62,500	-	-	-	-	2,951,547	100%	-	-	-
Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd.	1,105,281	-	1,758,983	-	-	-	-	2,864,264	100%	-	-	-
Shanghai Prime Mingyu Machinery Technology Co., Ltd.	2,690,416	-	-	-	-	-	-	2,690,416	88%	-	-	210,417
Shanghai Electric Group Property Company Limited	2,222,211	-	-	-	-	-	-	2,222,211	100%	-	-	125,982
Shanghai Mechanical & Electrical Industry Co., Ltd.	1,671,054	-	-	-	-	-	-	1,671,054	48%	-	-	211,162
Shanghai Electric Group Finance Co., Ltd.	1,331,914	-	-	-	-	-	-	1,331,914	75%	-	-	197,010
Shanghai Boiler Works Co., Ltd.	1,089,005	-	-	-	-	-	-	1,089,005	100%	-	-	-
Shanghai Electric Science and Technology Venture Capital Co., Ltd.	1,037,705	-	17,935	-	-	-	-	1,055,640	100%	-	-	-
Shanghai Electric Transmission and Distribution Group Co., Ltd.	1,017,870	-	-	-	-	-	-	1,017,870	100%	-	-	-
Shenzhen Yinghe Technology Co., Ltd.	3,792,796	-	-	(3,792,796)	-	-	-	-	-	-	(314,692)	-
Others	9,726,108	100,000	698,971	(1,076,331)	-	-	-	9,448,748	-	(619,131)	(619,131)	38,303
	45,257,051	100,000	14,146,987	(4,869,127)	-	-	-	54,634,911	-	(619,131)	(933,823)	906,439

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

(b) Joint ventures

		Movements in the current year											Provision for impairment	
	31 December 2022	Increase in investments	Decrease in investment	Share of net profit/ (loss) under equity method	Share of other comprehensive income	Subsidiary combined from business combination involving enterprises not under common control	New associate combined from enterprises not under common control	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others	31 December 2023	31 December 2023	31 December 2022
Shanghai Fanuc Intelligent Machines Co., Ltd.	435,735	-	(435,735)	-	-	-	-	-	-	-	-	-	-	-
Others	116,808	-	-	(2,384)	-	-	-	-	-	-	-	114,424	-	-
	552,543	-	(435,735)	(2,384)	-	-	-	-	-	-	-	114,424	-	-

(c) Associates

		Movements in the current year											Provision for impairment	
	31 December 2022	Increase in investments	Decrease in investment	Share of net profit/ (loss) under equity method	Share of other comprehensive income	Transfer-out due to disposal of subsidiaries	Associates reclassified as other non-current financial assets	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others	31 December 2023	31 December 2023	31 December 2022
Siemens High Voltage Switchgear Co., Ltd. Shanghai	142,934	-	-	129,669	-	-	-	-	(70,889)	-	-	201,714	-	-
Shanghai Siemens Switchgear Co., Ltd.	183,215	-	-	103,845	-	-	-	-	(93,167)	-	-	193,893	-	-
Zhejiang Zhuji Lianchuang Yongjun Equity Investment Partnership (Limited Partnership)	192,532	-	-	(3,946)	-	-	-	-	-	-	-	188,586	-	-
SEC Alstom (Shanghai Baoshan) Transformers Co., Ltd.	76,826	-	-	59,048	-	-	-	-	-	-	-	135,874	-	-
KSB Shanghai Pumps Co., Ltd.	128,505	-	-	14,775	-	-	-	-	(14,575)	-	-	128,705	-	-
Legend Electric (Shenyang) Co., Ltd.	134,253	-	-	32,620	-	-	-	-	(41,300)	-	-	125,573	-	-
Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.	77,908	-	-	114,865	-	-	-	-	(107,471)	-	-	85,302	-	-
Shanghai Rail Traffic Equipment Development Co., Ltd.	581,040	-	(578,257)	(2,783)	-	-	-	-	-	-	-	-	-	-
Others	748,983	17,397	(492)	107,874	-	-	-	-	(121,550)	(118,000)	-	634,212	(118,000)	-
	2,266,196	17,397	(578,749)	555,967	-	-	-	-	(448,952)	(118,000)	-	1,693,859	(118,000)	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Capital surplus

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium (Note 4(52))	16,853,555	-	-	16,853,555
Effect of convertible bond on equity	3,381,592	-	-	3,381,592
Capital contribution by shareholders due to equity incentive	-	-	-	-
Amount recorded in owners' equity arising from share-based payment arrangements (Note 4(52))	184,585	-	-	184,585
Others	173,104	-	-	173,104
	20,592,836	-	-	20,592,836

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Share premium (Note 4(52))	16,853,555	-	-	16,853,555
Effect of convertible bond on equity	3,381,592	-	-	3,381,592
Capital contribution by shareholders due to equity incentive	256,109	-	(256,109)	-
Amount recorded in owners' equity arising from share-based payment arrangements (Note 4(52))	152,309	32,276	-	184,585
Others	173,104	-	-	173,104
	20,816,669	32,276	(256,109)	20,592,836

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(6) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement			
	31 December 2022	Increase in the current year	Reclassification of other comprehensive income	31 December 2023	Amount incurred before income tax	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Other comprehensive income after income tax
Other comprehensive income items which will be reclassified to profit or loss								
Share of other comprehensive income items which will be reclassified to profit or loss under equity method	(30,627)	-	-	(30,627)	-	-	-	-

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement			
	31 December 2021	Increase in the current year	Reclassification of other comprehensive income	31 December 2022	Amount incurred before income tax	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Other comprehensive income after income tax
Other comprehensive income items which will be reclassified to profit or loss								
Share of other comprehensive income items which will be reclassified to profit or loss under equity method	(30,627)	-	-	(30,627)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(7) Surplus reserve

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Statutory surplus reserve	2,639,825	-	-	2,639,825

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Statutory surplus reserve	2,639,825	-	-	2,639,825

(8) Accumulated losses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Accumulated losses at the beginning of the year	(1,226,536)	1,905,104
Add: Net profit/(loss) in the current year	283,994	(3,131,640)
Accumulated losses at the end of the year	(942,542)	(1,226,536)

(9) Revenue and operating cost

	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenue from main operations	21,228,328	20,993,013
Revenue from other operations	309,554	249,978
	21,537,882	21,242,991
Operating cost from main operations	20,335,156	21,322,330
Operating cost from other operations	126,905	104,071
	20,462,061	21,426,401

Revenue from main operations refers to sales income from energy equipment, integration services, etc. Operating cost refers to cost of products related to main operations.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

	For the year ended 31 December 2023								
	Sales of goods			Projects					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Labour services	Others	Total
Revenue	16,305,536	109,807	353	1,456,609	2,835,800	506,404	13,819	-	21,228,328
Including:									
Recognised at a time point	16,305,536	109,807	353	-	-	-	-	-	16,415,696
Recognised within a certain period	-	-	-	1,456,609	2,835,800	506,404	13,819	-	4,812,632
Revenue from other operations	50	-	-	-	-	-	89,960	219,544	309,554
	16,305,586	109,807	353	1,456,609	2,835,800	506,404	103,779	219,544	21,537,882

	For the year ended 31 December 2022								
	Sales of goods			Projects					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Labour services	Others	Total
Revenue	14,617,372	86,621	1,049	1,629,675	4,272,623	380,055	5,618	-	20,993,013
Including:									
Recognised at a time point	14,617,372	86,621	1,049	-	-	-	5,618	-	14,710,660
Recognised within a certain period	-	-	-	1,629,675	4,272,623	380,055	-	-	6,282,353
Revenue from other operations	-	-	-	-	-	-	-	249,978	249,978
	14,617,372	86,621	1,049	1,629,675	4,272,623	380,055	5,618	249,978	21,242,991

(i) As at 31 December 2023, the Company's income corresponding to the performance obligations that have been signed but not yet fulfilled or not yet completed was RMB9,208,014 thousand, the company expects to recognize all revenue in 2024.

(ii) For the year ended 31 December 2023, the Company had no extra award due to the completion of services in advance. In addition, the Company does not have any other significant transaction price of the contract or adjustment for transaction price.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(10) Investment income

	For the year ended 31 December 2023	For the year ended 31 December 2022
Income from long-term equity investments accounted for using the cost method	906,439	837,759
Income from long-term equity investments accounted for using the equity method	553,583	627,482
Interest income of entrusted loans	155,223	256,304
Investment income obtained during the holding of other non-current financial assets	58,998	-
Investment income/(losses) from disposal of subsidiaries	258,359	(101,359)
	1,932,602	1,620,186

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

1 Statement of non-recurring profit or loss for year ended 31 December 2023

	For the year ended 31 December 2023
Profit or loss from disposal of non-current assets	847,003
Government grants recognised in profit or loss for the current period besides those that are closely related to the normal operation of the business, are in compliance with national policies and regulations, are granted in accordance with established criteria, and have a continuing impact on the Company's profit or loss	811,865
Gains or losses arising from changes in fair value of financial assets or liabilities at fair value through profit or loss, and investment income from disposal of financial assets or liabilities at fair value through profit or loss, debt investments, other debt investments and other non-current financial assets besides those relevant to the effective hedging business related to the Company's normal operations and investment business of the Finance Company	(37,650)
Reversal of provision for impairment of receivables tested for impairment on the individual basis	493,281
Non-operating income and expenses other than aforesaid items	(60,321)
Other items of profit or loss conforming to the definition of non-recurring profit or loss	275,942
	2,330,120
Effect of income tax	(508,049)
Effect of minority interests (net of tax)	(313,252)
	1,508,819

(1) Basis for preparation of statement of non-recurring profit or loss for year ended 31 December 2023

The Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Public Securities - Non-recurring Gains and Losses (Revised in 2023) (the "Explanatory Announcement No. 1 [2023]") was issued by China Securities Regulatory Commission in 2023 and became effective from the date of promulgation. The Group has prepared the statement of non-recurring profit or loss for year ended 31 December 2023 in accordance with the provisions of the Explanatory Announcement No. 1 [2023].

In accordance with the provisions of Explanatory Announcement No. 1 [2023], non-recurring profit or loss refers to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to happen frequently that would have an influence to the financial statements users' making economic decisions based on the financial performance and profitability of an enterprise.

(2) Effect of the implementation of the Explanatory Announcement No. 1 [2023] on the non-recurring profit or loss for the year ended 31 December 2022

In accordance with the Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Public Securities - Non-recurring Gains and Losses (2008) (the "Explanatory Announcement No. 1 [2008]"), government grants presented as non-recurring gains and losses in 2022 included government grants related to assets of RMB14,297 thousand and government grants related to income of RMB218,779 thousand. As these grants are closely related to the Group's normal operation of the business and are in compliance with the relevant national industrial policies, and have a continuing impact on the Group's profit or loss during their useful life, the total amount of RMB233,076 thousand should be presented as a recurring profit or loss in accordance with the relevant provisions of the Explanatory Announcement No. 1 [2023].

2 *Statement of non-recurring profit or loss for year ended 31 December 2022*

	For the year ended 31 December 2022
Profit or loss from disposal of non-current assets	560,440
Government grants of tax returns, deduction and exemption approved beyond the authority or without official approval documents included in profit or loss for the current period	1,012,719
Profit or loss from debt restructuring	359
Gains or losses arising from changes in fair value of financial assets or liabilities at fair value through profit or loss, and investment income from disposal of financial assets or liabilities at fair value through profit or loss, debt investments, other debt investments and other non-current financial assets besides those relevant to the effective hedging business related to the Company's normal operations and investment business of the Finance Company	(58,326)
Reversal of provision for impairment of receivables tested for impairment on an individual basis	325,592
Reversal of provision for impairment of contract assets subject to separate impairment test	38,311
Investment income from disposal of subsidiaries	(56,045)
Operating income and expenses other than aforesaid items	48,801
	1,871,851
Effect of income tax	(391,624)
Effect of minority interests (net of tax)	(336,959)
	1,143,268

(1) Basis for preparation of statement of non-recurring profit or loss for year ended 31 December 2022

The Group has prepared the statement of non-recurring profit or loss for year ended 31 December 2022 in accordance with the relevant provisions of the Explanatory Announcement No. 1 [2008].

3 *Reconciliation of statement prepared under HKFRS and CAS*

On 15 April 2020, with the approval of the Company's extraordinary general meeting, the Group will use the consolidated financial statements prepared in accordance with China's accounting standards for business enterprises as information disclosure in the stock exchange of Hong Kong since 2019. Therefore, the Group does not need to prepare the difference adjustment statement of domestic and foreign financial statements in the current period.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in RMB'000 Yuan unless otherwise stated)

4 Net assets income rate and earnings per share

	Weighted average net assets income rate (%)		Earnings per share (RMB Yuan)			
			Basic earnings per share		Diluted earnings per share	
	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022
Net profit attributable to ordinary shareholders of the Company	**0.53**	-6.31	**0.018**	-0.228	**0.018**	-0.228
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	**-2.33**	-8.33	**-0.079**	-0.302	**-0.079**	-0.302