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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

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

(Stock Code: 02727)

ANNOUNCEMENT ON CHANGES IN THE ACCOUNTING POLICIES

This announcement is made by Shanghai Electric Group Company Limited (the “**Company**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The 82nd meeting of the 5th session of the board of directors of the Company was held on 30 August 2023, at which the resolution in relation to the changes in the accounting policies was considered and approved. The detailed information is announced as below:

I. Overview

The Ministry of Finance promulgated the “Notice on Issuing the No. 16 Interpretation of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31)” (《關於印發〈企業會計準則解釋第16號〉的通知》(財會[2022]31號)) in 2022. In accordance with the aforesaid notice, since 1 January 2023, the Group and the Company have adopted the accounting treatment provisions in the No. 16 Interpretation of Accounting Standards for Business Enterprises regarding the deferred income tax related to assets and liabilities arising from a single transaction not applicable to the initial recognition exemption.

II. Particulars and Impacts on the Company

1. Changes in the Accounting Policies

For a single transaction that is not a business combination and affects neither the accounting profit nor taxable profit (or deductible loss) when the transaction occurs, and the initial recognition of assets and liabilities results in the generation of an equivalent amount of taxable temporary differences and deductible temporary differences (including lease transactions in which the lessee initially recognizes a lease liability on the commencement date of the lease term and includes it in the right-of-use asset, and transactions in which a provision is recognized because of the existence of abandoned obligation on fixed assets or other assets and is included in the cost of the related assets), the Article 11(2) and Article 13 of the “Accounting Standards for Business Enterprises No. 18 – Income Tax” regarding the exemption of initially recognized deferred income tax liabilities and deferred income tax assets shall not be applied. The corporations should recognize the corresponding deferred income tax liabilities and deferred income tax assets respectively at the time of the transaction in accordance with the relevant provisions of “the Accounting Standards for Business Enterprises No. 18 – Income Tax” for taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in respect of the transaction.

2. Impacts of Changes in the Accounting Policies

The changes in the accounting policies do not have a significant impact on the Company’s financial reports for the current and prior periods.

III. Conclusive Opinions of the Independent Directors and Supervisory Committee

The independent directors of the Company expressed the following opinions: The Company’s changes in

accounting policies are in line with the requirements of the relevant guidance from the Ministry of Finance and the actual situations of the Company. The implementation of the changes in the accounting policies reflects the Company's financial position and operating results in an objective and fair manner, and does not have any material impact on the financial position, operating results and cash flows of the Company. The relevant decision-making procedure is in compliance with the relevant laws, regulations and relevant requirements under the articles of association of the Company. There is no situation that impairs the interests of the Company and its shareholders, in particular the minority shareholders. We agree to the implementation of the changes in the accounting policies by the Company.

The supervisory committee of the Company expressed the following opinions: The Company's changes in accounting policies are reasonable changes made in accordance with the requirements of the relevant guidance from the Ministry of Finance, which is in line with the Accounting Standards for Business Enterprises and the relevant requirements. The implementation of the changes in the accounting policies reflects the Company's financial position and operating results in an objective and fair manner. The relevant decision-making procedure is in compliance with the relevant laws, regulations and relevant requirements under the articles of association of the Company. There is no situation that impairs the interests of the Company and its minority shareholders.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board

Shanghai Electric Group Company Limited

LENG Weiqing

Chairlady of the Board

Shanghai, the PRC, 30 August 2023

As at the date of this announcement, the executive directors of the Company are Ms. LENG Weiqing, Mr. LIU Ping and Mr. ZHU Zhaokai; the non-executive directors of the Company are Ms. YAO Minfang and Ms. LI An; and the independent non-executive directors of the Company are Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong.

** For identification purpose only*