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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

PERFORMANCE HIGHLIGHTS

- ▶ Total revenue of the Company for 2023 was RMB 114,797 million, a decrease of 2.4 % year-on-year
- ▶ Profits attributable to owners of the Company for 2023 was RMB 285 million, loss attributable to owners of the Company for the corresponding period of last year was RMB 3,566 million
- ▶ Basic profit per share of the Company for 2023 was RMB 0.018 yuan, basic loss per share of the Company for the corresponding period of last year was RMB 0.228 yuan
- ▶ New orders for 2023 amounted to RMB 137.21 billion, an increase of 3.0% year-on-year
- ▶ The Board proposed not to declare any final dividend for 2023

The board of directors (the “**Board**”) of Shanghai Electric Group Company Limited (the “**Company**” or “**Shanghai Electric**”) hereby announces the results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023. The Group’s results have been audited by PricewaterhouseCoopers Zhongtian LLP. The annual results of the Company for the year ended 31 December 2023 have been prepared in accordance with China Accounting Standards for Business Enterprises.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

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

ASSETS	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Current assets			
Cash at bank and on hand		30,164,902	26,344,500
Clearing settlement funds		5,804	24,317
Placements with banks and other financial institutions		18,054,967	24,613,553
Held-for-trading financial assets		7,492,363	7,657,438
Derivative financial assets		12,798	55,890
Notes receivable		3,995,445	6,257,285
Accounts receivable	3	40,477,926	38,279,969
Receivables financing		1,354,944	2,105,589
Prepayments		9,511,724	10,276,967
Other receivables		5,984,167	6,156,517
Financial assets purchased under resale agreements		1,135,620	1,131,206
Inventories		32,423,705	30,871,914
Contract assets		21,913,397	21,801,813
Non-current assets due within one year		1,976,785	2,857,670
Other current assets		17,322,171	22,719,005
Total current assets		<u>191,826,718</u>	<u>201,153,633</u>
Non-current assets			
Loans and advances		7,370,067	1,590,952
Debt investments		152,570	152,863
Long-term receivables		3,067,193	3,328,725
Long-term equity investments		11,001,371	11,183,753
Other non-current financial assets		7,339,112	7,268,463
Investment properties		608,798	660,172
Fixed assets		20,427,312	20,282,308
Constructions in progress		1,934,072	3,427,951
Right-of-use assets		1,410,284	1,402,169
Intangible assets		12,256,813	12,582,986
Research and development expenditures		31,661	35,818
Goodwill		3,244,929	3,288,723
Long-term deferred expenses		504,145	555,484
Deferred tax assets		8,300,768	7,733,152
Other non-current assets		13,790,754	13,373,700
Total non-current assets		<u>91,439,849</u>	<u>86,867,219</u>
TOTAL ASSETS		<u>283,266,567</u>	<u>288,020,852</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 31 December 2023

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

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

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 December 2023

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

	Notes	For the year ended 31 December	
		2023 RMB'000	2022 RMB'000
Total revenue		114,797,077	117,623,118
Including: Operating revenue	5	114,218,209	116,985,807
Interest income	5	576,469	636,982
Income from handling charges and commissions	5	2,399	329
Total cost of sales		(112,567,499)	(117,467,341)
Including: Operating cost	5、6	(93,117,308)	(98,496,897)
Interest expenses	5、6	(86,519)	(87,168)
Handling charges and commissions expenses	5、6	(719)	(754)
Taxes and surcharges		(706,729)	(531,757)
Selling and distribution expenses	6	(4,209,744)	(3,853,301)
General and administrative expenses	6	(7,995,268)	(8,167,949)
Research and development expenditures	6	(5,369,294)	(5,028,466)
Financial expenses - net		(1,081,918)	(1,301,049)
Including: Interest expenses		(1,832,613)	(1,757,576)
Interest income		642,243	504,533
Add: Other income		1,474,030	1,077,991
Investment income		2,567,300	1,113,637
Including: Share of profit of associates and joint ventures		1,025,375	858,533
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		(314,787)	(715,315)
Losses from asset impairment		(2,275,011)	(2,144,917)
Losses from credit impairment		(1,182,059)	(2,093,465)
Gains on disposals of assets		847,003	560,440
Operating profits/(losses)		3,355,130	(2,024,458)
Add: Non-operating income		142,280	223,041
Less: Non-operating expenses		(202,601)	(173,881)
Total profits/(losses)		3,294,809	(1,975,298)
Less: Income tax expenses	7	(1,139,883)	(337,708)
Net profits/(losses)		2,154,926	(2,313,006)
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-
Attributable to equity owners of the Company		285,155	(3,566,484)
Minority interests		1,869,771	1,253,478

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 December 2023

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

	Notes	For the year ended 31 December	
		2023 RMB'000	2022 RMB'000
Other comprehensive income, net of tax		48,750	489,995
Attributable to equity owners of the 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)
Changes in fair value of accounts receivable measured at fair value through other comprehensive income		-	-
Provision for impairment of other debt investments and receivables financing		(12,903)	(15,981)
Cash flow hedges, net of tax		(931)	1,821
Exchange differences on translation of foreign operations		62,629	487,127
Losses/gains on net foreign investment hedging		-	-
Attributable to minority interests		2,258	5,057
Total comprehensive income		2,203,676	(1,823,011)
Attributable to equity owners of the Company		331,647	(3,081,546)
Attributable to minority interests		1,872,029	1,258,535
Earnings per share			
Basic earnings per share (RMB yuan)	8	0.018	(0.228)
Diluted earnings per share (RMB yuan)	8	0.018	(0.228)

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 December 2023

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

1 Company information

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

During the year, the Company and its subsidiaries (together the “**Group**”) are engaged in the following principal activities:

(a) the energy equipment segment: design, manufacture, and sales of nuclear power equipment, energy storage equipment, coal-fired power generation and supporting equipment, gas-fired power generation equipment, wind power equipment, hydrogen energy equipment, photovoltaic equipment, high-end chemical equipment; providing grid and industrial intelligent power supply system solutions;

(b) the industrial equipment segment: design, manufacture, and sales of elevators, large and medium-sized motors, intelligent manufacturing equipment, industrial basic components, and prefabricated construction equipment;

(c) the integrated services segment: providing energy, environmental, and automation engineering and services, including various types of traditional and new energy, comprehensive utilization of solid waste, sewage treatment, flue gas treatment, rail transit, etc.; providing industrial Internet services; providing financial services, including financing leasing, factoring, asset management, insurance brokerage, etc.; providing park and property management services mainly for industrial real estate, etc.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Shanghai Electric Holding Group Co., Ltd. (“**SEGC**”), a state-owned enterprise established in the PRC.

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

2 Summary of important accounting policies

The main accounting policies used in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies are applied in all reported years. These consolidated financial statements include Shanghai Electric Group Co., Ltd. and its subsidiaries.

2.1.1 Basis of preparation

The financial statements were prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations (hereafter collectively referred to as “**the Accounting Standards for Business Enterprises**” or “**CAS**”) issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by the CSRC.

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.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION(CONT'D) FOR THE YEAR ENDED 31 December 2023

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

2 Summary of important accounting policies

2.1.2 Change in accounting policy

The Ministry of Finance ("MOF") issued the Circular on the Publication of Interpretation No. 16 of the Accounting Standards for Business Enterprises ("Interpretation No. 16") in 2022. In preparing the financial statements for the year 2023, the Group and the Company adopted from January 1, 2023 the accounting treatment requirement in Interpretation No. 16 regarding the inapplicability of the initial recognition exemption for deferred income tax related to assets and liabilities arising from a single transaction. The above amendments had no material impact on the Group's and the Company's financial statements.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED**NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****FOR THE YEAR ENDED 31 December 2023**

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

3 Accounts receivable

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

(i) The aging of accounts receivable was analyzed as follows:

	31 December 2023	31 December 2022
Undue	22,614,688	21,607,854
Overdue within 1 year	9,398,550	9,289,613
Overdue 1 year but within 2 years	6,488,398	9,966,854
Overdue 2 year but within 3 years	8,230,304	5,893,128
Overdue 3 year but within 4 years	4,557,370	4,856,653
Overdue 4 year but within 5 years	4,157,532	631,620
Overdue over 5 years	<u>2,980,953</u>	<u>3,230,222</u>
	<u>58,427,795</u>	<u>55,475,944</u>

(ii) The aging analysis of accounts receivable according to the date of entry is 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	<u>3,115,505</u>	<u>3,523,912</u>
	<u>58,427,795</u>	<u>55,475,944</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

FOR THE YEAR ENDED 31 December 2023

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

3 Accounts receivable (Cont'd)

Movements of provision for bad debts of accounts receivable:

Balance on 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 in disposal of subsidiaries	(69,622)
Current year write-off	(38,846)
Balance on 31 December 2023	<u>17,949,869</u>

The ageing of accounts receivable including related party was analysed as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	Book balance	Bad debt provision	Book balance	Bad debt provision
SEGC	125,775	118	43,039	401
Company controlled by the parent company	6,798,713	141,555	4,347,188	204,927
Joint venture	-	-	630	-
Associates	934,559	49,209	322,532	30,151
Other affiliated enterprises	969,418	16,144	1,028,003	12,543
	<u>8,828,465</u>	<u>207,026</u>	<u>5,741,392</u>	<u>248,022</u>

4 Accounts payable

	31 December 2023	31 December 2022
Accounts payable	<u>59,610,479</u>	<u>57,396,886</u>

The aging of accounts payable was analysed as follows:

	31 December 2023	31 December 2022
Within 3 months	35,381,284	36,583,071
Over 3 months but within 6 months	4,815,801	3,633,310
Over 6 months but within 1 year	9,734,192	7,085,401
Over 1 year but within 2 years	4,050,065	4,348,380
Over 2 years but within 3 years	2,507,200	1,804,195
Over 3 years	3,121,937	3,942,529
	<u>59,610,479</u>	<u>57,396,886</u>

As at 31 December 2023, accounts payable with aging 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 as the projects are still under construction.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION(Cont'd)

FOR THE YEAR ENDED 31 December 2023

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

4 Accounts payable(Cont'd)

The aging of accounts payable including related party was analysed as follows:

	31 December 2023	31 December 2022
Company controlled by the parent company	153,504	219,643
Joint ventures	50	251
Associates	429,847	413,944
Other affiliated enterprises	139,304	283,817
	<u>722,705</u>	<u>917,655</u>

5 Revenue and cost of sales

	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenue from main operations	108,096,600	114,496,488
Revenue from other operations	6,121,609	2,489,319
Interest income	576,469	636,982
Income from handling charges and commissions	2,399	329
	<u>114,797,077</u>	<u>117,623,118</u>

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cost of sales from main operations	90,404,751	97,521,681
Cost of sales from other operations	2,712,557	975,216
Interest expenses	86,519	87,168
Handling charges and commissions expenses	719	754
	<u>93,204,546</u>	<u>98,584,819</u>

Revenue from main operations includes sales revenue from energy equipment, industrial equipment and integrated services. Cost of sales refers to those of products related to main operations.

Details of revenue from main operations are as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Sale of goods	85,057,697	86,126,054
Engineering construction	11,363,370	17,669,945
Rendering of services	11,675,533	10,700,489
	<u>108,096,600</u>	<u>114,496,488</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

**NOTES TO CONSOLIDATED FINANCIAL INFORMATION(CONT'D)
FOR THE YEAR ENDED 31 December 2023**

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

5 Revenue and cost of sales(Cont'd)

Details of revenue from other operations are as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Sales of raw materials	4,467,831	1,205,183
Leasing income	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
	<u>6,121,609</u>	<u>2,489,319</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

FOR THE YEAR ENDED 31 December 2023

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

5 Revenue and cost of sales (Cont'd)

	For the year ended 31 December 2023								
	Sales of Goods			Engineering construction					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Rendering of services	Others	Total
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 point of time	75,103,542	1,717,205	8,236,950	-	-	-	347,112	-	85,404,809
Recognised overtime	-	-	-	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
	<u>76,096,127</u>	<u>1,753,442</u>	<u>11,675,959</u>	<u>4,690,933</u>	<u>5,496,936</u>	<u>1,175,501</u>	<u>11,831,156</u>	<u>1,498,155</u>	<u>114,218,209</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

FOR THE YEAR ENDED 31 December 2023

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

5 Revenue and cost of sales (Cont'd)

	For the year ended 31 December 2022								
	Sales of Goods			Engineering construction					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Rendering of services	Others	Total
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 point of time	77,706,678	987,138	7,432,238	-	-	-	249,618	-	86,375,672
Recognised overtime	-	-	-	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
	<u>78,651,047</u>	<u>1,091,148</u>	<u>7,571,471</u>	<u>7,913,907</u>	<u>9,117,196</u>	<u>638,842</u>	<u>10,865,381</u>	<u>1,136,815</u>	<u>116,985,807</u>

- (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 RMB 44,288,870 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.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED**NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****FOR THE YEAR ENDED 31 December 2023**

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

6 Expenses 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 and energy expenses	811,477	722,371
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 fees	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	<u>110,778,852</u>	<u>115,634,535</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)
FOR THE YEAR ENDED 31 December 2023

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

7. Income tax expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current tax charger for the period	1,946,682	1,126,490
Annual filing differences for the current period	(22,688)	(8,745)
Deferred tax	(784,111)	(780,037)
	<u>1,139,883</u>	<u>337,708</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit 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 profits /(losses)	<u>3,294,809</u>	<u>(1,975,298)</u>
Tax at the statutory tax rate (Note 1)	823,702	(493,825)
Lower tax rates for specific districts or concessions	(155,027)	(115,208)
Adjustments for current income tax of prior periods	(22,688)	(8,745)
Profits and losses attributable to joint ventures and associates	(254,129)	(175,212)
Income not subject to tax	(45,072)	(48,865)
Expenses not deductible for tax	56,700	44,181
Tax incentives on eligible expenditures	(492,221)	(474,498)
Utilization of previously unrecognised tax losses and deductible temporary differences	(135,595)	(47,128)
Tax losses and deductible temporary differences for which no deferred tax assets was recognised	<u>1,364,213</u>	<u>1,657,008</u>
Income tax expenses	<u>1,139,883</u>	<u>337,708</u>

Note 1: The Group's income tax is provided based on estimated taxable income in China and the applicable tax rates. Taxes on income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D) FOR THE YEAR ENDED 31 December 2023

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

8. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the current period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. Newly issued ordinary shares are included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue) according to specific terms of the issuance contract.

	For the year ended 31 December 2023	For the year ended 31 December 2022
Consolidated net profits/(losses) attributable to ordinary shareholders of the parent company	285,155	(3,566,484)
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	<u>15,579,809</u>	<u>15,611,350</u>
Basic earnings per share	<u>RMB0.018 yuan</u>	<u>RMB(0.228) yuan</u>
Including:		
- Basic earnings per share from continuing operations (i):	RMB0.018 yuan	RMB(0.228) yuan
- Basic earnings per share from discontinued operations:	<u>-</u>	<u>-</u>

- (i) The Company implemented an equity incentive plan in 2019 and the plan was terminated in 2022. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to shareholders of ordinary shares less the revocable cash dividends distributed in the current period of 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 is calculated based on adjusted consolidated net profit attributable to common shareholders of the parent company based on diluted potential common shares divided by the adjusted weighted average of the Company's outstanding common shares. There are no potentially dilutive common shares of the Company in 2023. Therefore, diluted earnings per share equals basic earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

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, the Group maintained its strategic determination, 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 RMB 114,797 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 percent 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 RMB 0.228 yuan. The Company achieved a turnaround from the corresponding period of the previous year, which was mainly attributable to the following: (1) during the Reporting Period, the Company adhered to the concept of high-quality development and focused on its principal business, with gross profit and gross profit margin of certain business segments increasing significantly as compared with the corresponding period of the previous year; (2) during the Reporting Period, the Company continued to strengthen the management of accounts receivable and intensified its efforts in collection and recovery, resulting in a reduction in credit impairment losses as compared with the corresponding period of the previous year; (3) losses arising from fluctuations in the fair value of the financial assets held by the Company narrowed down as compared with those of the corresponding period of the previous year during the Reporting Period.

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 equipment 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 integrated 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 integrated services amounted to RMB97.37 billion.

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

1. 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-temperature 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-fire 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.

2. 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 capacity, 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" of 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 verification 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 Engineering 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".

3. 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 2000Nm³/h alkaline water hydrogen production equipment and 100Nm³/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, SSEWP 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.

BUSINESS REVIEW OF MAJOR BUSINESS SEGMENTS

During the Reporting Period, the Company achieved the total revenue of RMB 114,797 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 margin of the energy equipment segment for the Reporting Period amounted to 19.66%, representing an increase of 1.61 percentage points as compared with the corresponding period of the previous year, mainly due to the optimization 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 compared with that of the corresponding period of the previous year, which was mainly attributable to the year-on-year increase in gross profit margin of the elevator business as a result of the reduction of costs and enhancement of efficiencies during the Reporting Period.

During the Reporting Period, the integrated services segment achieved operating revenue of RMB21,387 million, representing a decrease of 19.92% as compared with the corresponding period of the previous year, which was mainly attributable to the Company's optimization of business structure and changes in the scope of merger, 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 integrated services segment during the Reporting Period amounted to 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.

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
Integrated 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

Situation Description:

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.

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: RMB3,199,941 thousand), and 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), and

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: USD142,961 thousand), equivalent to RMB799,469 thousand (2022: RMB995,667 thousand), and

borrowings denominated in Euros amounted to EUR95,000 thousand in total (2022: EUR97,500 thousand), equivalent to RMB746,624 thousand (2022: RMB723,723 thousand).

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

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 an 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 RMB 1,379 million (2022: RMB927 million), receivable financing with a carrying amount of 12 million (2022: RMB583 million), notes receivable with a carrying amount of 4 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).

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 Shanghai Electric Holding Group Co., Ltd. (上海電氣控股集團有限公司) ("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.

FUTURE DEVELOPMENT AND OUTLOOK OF THE COMPANY

In 2024, we will firmly grasp the main theme of "focusing on national strategies, seeking progress amidst stability, making key breakthroughs, and realizing high-quality development", actively integrate into the national manufacturing strategy, focus on our main responsibilities, take the lead in benchmarking, and adhere to the enhancement of our scientific and technological innovation capability and market development capability, so as to promote the Group's realization of high-quality development under the guidance of the "dual-carbon" strategic goal by means of scientific and technological innovation and to speed up the construction of Shanghai Electric into a world-class equipment enterprise.

SIGNIFICANT EVENTS

Acquisition of part of the equity interest in a subsidiary

On March 29, 2023, the Board of Directors considered and passed the relevant resolution that the Company intends to sign the Equity Transfer Agreement with ICBC Financial Assets Investment Company Limited, BOCOM Financial Assets Investment Company Limited and BOC Financial Assets Investment Company Limited for the acquisition of 48.18% equity interest in Shanghai Electric Industry Company Limited, 39.42% equity interest in Shanghai Electric Group Shanghai Electric Works Company Limited, 48.88% equity interest in Shanghai Machinery & Electric Design & Research Institute Company Limited and 42.20% equity interest in Shanghai Electric Nuclear Power Equipment Company Limited for a total consideration of RMB10,004 million for the equity transfer. As at the date of this announcement, the aforesaid equity transfer has been completed.

Adjustment of Performance Commitment of Subsidiary

During the Reporting Period, the Company signed the "Supplementary Agreement to the Performance Commitment Agreement" with Mr. Wang Weidong and Ms. Xu Xiaojun (hereinafter referred to as the "Performance Commitment Party"), the former controlling shareholders of Shenzhen Yinghe Technology Co., Ltd ("Yinghe Technology"), which adjusted the performance commitment of Yinghe Technology to a cumulative net profit of RMB 1.379 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 RMB 1.543 billion, and the net profit attributable

to shareholders of the parent company of Yinghe Technology after deducting non-recurring gains and losses was RMB 1.456 billion, meeting the performance commitment amount made by the Performance Commitment Party.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of the financial statements, the Group has no material events after the Reporting Period.

CORPORATE GOVERNANCE

During the Reporting Period, the Board of Directors of the Company performed the following duties: formulating, reviewing and making recommendations on the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; formulating, reviewing and monitoring the conduct and compliance of employees and Directors; and reviewing the Company's compliance with the code provisions and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board is of the opinion that the Company has complied with the requirements of the Code on Appendix C1 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that it has deviated from Code Provision C.2.1 on the distinction between the roles of the chairman and the chief executive officer. Pursuant to Code provision C.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly defined 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 of Directors and the chief executive officer of the Company were held by one person, who was mainly responsible for the strategic decisions of the Company, while the executive director and president of the Company was held by another person, who was in overall charge of the day-to-day operation and execution of the Company. The Company considers that the division of labor and responsibilities between the Board of Directors and the management is clear and there is no excessive concentration of management power.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code provisions set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 of the Listing Rules in relation to dealings in the shares of the Company by the directors of the Company, and all directors and supervisors of the Company confirmed that they have complied with the requirements set out in the Model Code throughout the year 2023. The Company is not aware of any breach of the Model Code by any of its employees.

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.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company.

FINAL DIVIDEND

The Board of the Company proposed no final dividend for the year 2023, which is subject to approval at the forthcoming annual general meeting of the Company.

DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

This results announcement will be published on the Company's website (<http://www.shanghai-electric.com>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The 2023 Annual Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

By order of the Board

Shanghai Electric Group Company Limited

Wu Lei

Chairman of the Board

Shanghai, the PRC, 28 March 2024

As at the date of this announcement, the executive directors of the Company are Dr. Wu Lei, Mr. LIU Ping and Mr. ZHU Zhaokai; the non-executive directors of the Company are Mr. Shao Jun and Ms. Lu Wen; and the independent non-executive directors of the Company are Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong.

** For identification purpose only*