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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 THE PROVISION FOR IMPAIRMENT

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 114th meeting of the fifth session of the board of directors of the Company was held on 29 August 2025, at which the Resolution in relation to the Provision for Impairment for the First Half of 2025 was considered and approved. The detailed information is announced as below:

I. OVERVIEW ON THE PROVISION FOR IMPAIRMENT

In order to objectively and fairly reflect the financial and operating conditions of the Company in the first half of 2025, the Company conducted impairment tests on various assets as at 30 June 2025 in accordance with the relevant provisions of the Accounting Standards for Business Enterprises, and provided for impairment of assets for which there were indications of impairment. For the first half of 2025, the Company made a provision of RMB1,145.40 million for credit impairment loss and a reversal of RMB365.14 million was recorded, and made a provision of RMB400.59 million for asset impairment loss and a reversal of RMB236.65 million was recorded. Based on above, for the first half of 2025, the net impact of the provision for impairment on the profit before taxation of the Company for the current period was a decrease of RMB944.20 million.

II. RELEVANT EXPLANATIONS ON THE PROVISION FOR IMPAIRMENT

1. Credit Impairment Loss

The credit impairment losses provided for by the Company during the first half of 2025 mainly included bad debt losses on notes receivable, bad debt losses on accounts receivable, bad debt losses on other receivables and long-term receivables.

The basis for recognition and method of calculation of the credit impairment losses of the Company are as follows:

In accordance with the Accounting Standards for Business Enterprises 22 – Recognition and Measurement of Financial Instruments, for financial assets measured at amortised cost, investments in debt instruments at fair value through other comprehensive income, contract assets, finance lease receivables, financial guarantee contracts and loan commitments, the provision for losses is recognised based on expected credit losses.

For notes receivable, accounts receivable, receivables financing and contract assets arising from transactions regulated by the Accounting Standards for Business Enterprises 14 - Revenue, the Company

measures the provision for losses based on lifetime expected credit loss, irrespective of whether or not there is a significant financing element.

For finance lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises 21 - Leases, the Company also decides to measure the provision for losses based on lifetime expected credit loss.

Other than notes receivable, accounts receivable, receivables financing, contract assets and finance lease receivables mentioned above, the Company measures the expected credit losses on financial instruments at different stages on each balance sheet date. For a financial instrument which is in the first stage, for which there has been no significant increase in credit risk since initial recognition, the Company measures the provision for losses based on the next 12-month expected credit loss; for a financial instrument which is in the second stage, for which there has been a significant increase in credit risk since initial recognition but no credit impairment has occurred, the Company measures the provision for losses of such instrument based on the lifetime expected credit loss; for a financial instrument which is in the third stage, for which there has been a credit impairment since initial recognition, the Company measures the provision for losses based on the lifetime expected credit loss.

For financial instruments with low credit risk at the balance sheet date, for which the Company assumes that the credit risk has not increased significantly since the initial recognition and which are in the first stage, the provision for losses is measured based on the next 12-month expected credit loss.

For commercial acceptance bills receivable, accounts receivable and contract assets with significantly different credit risk characteristics, such as those with credit impairment, the Company assesses the differences in expected cash flow distributions under multiple scenarios based on the historical credit loss experiences, business models, current conditions and expected future conditions of the counter-parties to the contracts under different circumstances, taking into account the professional legal opinions from external lawyers and the preservation of assets relating to litigation, and weighs based on the expected credit loss rate under different scenarios and the probability of the occurrence of various scenarios, to accrue expected credit losses.

2. Asset Impairment Loss

The asset impairment losses provided for by the Company during the first half of 2025 mainly included provision for inventory write-downs, impairment loss on contract assets, provision for impairment of fixed assets.

The basis for recognition and method of calculation of the asset impairment losses of the Company are as follows:

For inventories, provision for inventory write-downs is made at the difference between the cost of inventories and their net realisable value in accordance with the relevant provisions of the Accounting Standards for Business Enterprises 1 - Inventories. Net realisable value is determined as the estimated selling price of inventories less costs estimated to be incurred up to completion, estimated contract performance costs and selling expenses and related taxes in the ordinary course of activities. The Company made provision for impairment on a consolidated basis for inventories that are produced and sold in the same geographic region and have the same or similar end use.

For contract assets, the provision for losses is recognised based on expected credit losses in accordance with the relevant requirements under the Accounting Standards for Business Enterprises 22 – Recognition and Measurement of Financial Instruments.

For fixed assets and other non-current assets, the asset impairment loss is provided at the difference between the carrying amount and the recoverable amount of the assets in accordance with the relevant provisions of the Accounting Standards for Business Enterprises 8 – Impairment of Assets. The recoverable amount is the higher of the assets' fair value less costs of disposal and the present value of the assets' estimated future cash flows. Provision for impairment of assets is calculated and recognised on an individual asset basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount is determined according to the asset group to which the assets belong. An asset group is the smallest group of assets that can generate cash inflows independently.

III. IMPACT ON THE PROFIT OF THE COMPANY RESULTING FROM THE PROVISION FOR IMPAIRMENT

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, details on the provision for impairment for the first half of 2025 are set out as follows:

Unit: RMB0'000

Item	Provision	Reversal
I. Credit Impairment Loss	114,540	36,514
Provision for bad debts on accounts receivable measured at amortised cost	52,264	26,432
Provision for bad debts on long-term receivables and other receivables	59,847	2,241
Others	2,429	7,841
II. Asset Impairment Loss	40,059	23,665
Provision for inventory write-downs	25,051	16,022
Provision for impairment of contract assets	12,418	7,643
Provision for impairment of fixed assets	2,590	-

1. Credit Impairment Loss

The Company made a provision for credit impairment loss of RMB1,145.40 million and recorded a reversal of RMB365.14 million for the current period. The net impact on the profit before taxation of the Company for the current period was a decrease of RMB780.26 million. The details are as follows:

(1) The provision made for bad debts on accounts receivable for the current period amounted to RMB522.64 million, including RMB323.92 million made on a collective basis and RMB198.72 million made on an individual basis, representing impairment losses recognised based on the expected credit losses over the entire duration for items measured on a collective basis and for items individually assessed for their credit risk. The reversal of the provision for bad debts on accounts receivable for the current period amounted to RMB264.32 million, including RMB179.12 million of reversal of the provision for bad debts on accounts receivable made on a collective basis and RMB85.20 million of reversal of provision for bad debts on accounts receivable made on an individual basis, mainly due to the fact that certain subsidiaries of the Company received the payments for power station engineering projects and sales of equipment which had already been individually provided for impairment in the previous years. The combined net impact of the two items on the profit before taxation of the Company for the current period was a decrease of RMB258.32 million.

(2) The provision made for bad debts on other receivables and long-term receivables for the current period was RMB598.47 million, and a reversal of RMB22.41 million was recorded for the current period. The net impact on the profit before taxation of the Company for the current period was a decrease of RMB576.06 million. The provision for bad debts for the current period was primarily due to the provision for impairment loss on the power station equipment finance lease projects of the Company's subsidiary, amounting to RMB395.53 million.

(3) The provision made for bad debts on other assets for the current period was RMB24.29 million, and a reversal of RMB78.41 million was recorded for the current period. The net impact on the profit before taxation of the Company for the current period was an increase of RMB54.12 million.

2. Assets Impairment Loss

The Company made a provision for assets impairment loss of RMB400.59 million and recorded a reversal of RMB236.65 million for the current period. The net impact on the profit before taxation of the Company for the current period was a decrease of RMB163.94 million. The details are as follows:

(1) The provision for inventory write-downs of the Company for the current period amounted to RMB250.51 million, and a reversal of RMB160.22 million was recorded for the current period. The net impact on the profit before taxation of the Company for the current period was a decrease of RMB90.29 million. The provision for and reversal of inventory write-downs were mainly due to the Company's measurement of inventories at the lower of cost and net realisable value, with the provision calculated based on the excess of cost over net realisable value of each inventory item.

(2) The provision for impairment of contract assets amounted to RMB124.18 million, and a reversal of RMB76.43 million was recorded. The net impact on the profit before taxation of the Company for the current period was a decrease of RMB47.75 million. This was mainly due to the increase in long-term contract assets as a result of the increase in orders and the increase in the provision made on a collective basis as compared to the beginning of the period.

(3) The total provision for impairment of fixed assets amounted to RMB25.90 million, resulting in a net impact of a decrease of RMB25.90 million on the profit before taxation for the period. This was mainly due to the fact that the carrying amount of fixed assets was less than the expected future recoverable amount.

Based on the above, for the first half of 2025, the net impact of the provision for impairment on the profit before taxation of the Company for the current period was a decrease of RMB944.20 million.

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

By order of the Board

Shanghai Electric Group Company Limited

WU Lei

Chairman of the Board

Shanghai, the PRC, 29 August 2025

As at the date of this announcement, the executive directors of the Company are Dr. WU Lei, Mr. ZHU Zhaokai and Mr. WANG Chenhao; 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. XU Jianxin, Dr. LIU Yunhong and Dr. DU Zhaohui.

** For identification purpose only*