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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 third meeting of the sixth session of the board of directors of the Company was held on 30 March 2026, at which the Resolution in relation to the Provision for Impairment for 2025 was considered and approved.The details of the Provision for Impairment for 2025 are announced as below:

I. OVERVIEW ON THE PROVISION FOR IMPAIRMENT

In order to objectively and fairly reflect the financial position and operating performance of the Company for the year 2025, the Company conducted impairment tests on various assets as at 31 December 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. During the year 2025, the Company made a provision of RMB2,490.19 million for credit impairment loss and a reversal of RMB1,459.52 million was recorded, and made a provision of RMB2,186.18 million for asset impairment loss and a reversal of RMB797.19 million was recorded. Based on the above, the net impact of the provision for impairment on the profit before taxation of the Company for the year 2025 was a decrease of RMB2,419.66 million.

II. RELEVANT EXPLANATIONS ON THE PROVISION FOR IMPAIRMENT

1. Credit Impairment Loss

The credit impairment losses recognised by the Company for the year 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 is 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.

Other than notes receivable, accounts receivable, receivables financing, and contract assets 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 but no credit impairment has occurred since initial recognition, 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 different 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 recognised by the Company for the year 2025 mainly included provision for inventory write-down and impairment losses on 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 provisions of 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 2025 are set out as follows:

Unit: RMB 0'000

Item	Net impact on profit before taxation
I. Credit Impairment Losses	103,067
Provision for bad debts on notes receivable	14,725

Provision for bad debts on accounts receivable measured at amortised cost	24,993
Provision for bad debts on long-term receivables and other receivables	68,529
Others	-5,180
II. Asset Impairment Losses	138,899
Provision for inventory write-downs	94,102
Provision for impairment of fixed assets	30,786
Others	14,011

1. Credit Impairment Loss

The net impact of credit impairment losses for the Company for the year 2025 on the profit before taxation amounted to a decrease of RMB1,030.67 million, which mainly included:

(1) The provision made for bad debts on notes receivable for the current period amounted to RMB147.25 million, with the net impact of a decrease of RMB147.25 million on the profit before taxation of the Company for the current period, which was mainly due to the impairment loss recognized on the commercial acceptance bills.

(2) The provision made for bad debts on accounts receivable for the current period amounted to RMB1,189.44 million, including RMB782.52 million made on a grouping basis and RMB406.92 million made on an individual basis. The reversal of the provision for bad debts on accounts receivable for the current period amounted to RMB939.51 million, including RMB723.57 million of reversal of provision for bad debts on accounts receivable made on a grouping basis and RMB215.94 million of reversal of provision for bad debts on accounts receivable made on an individual basis, mainly due to the fact that the Company continued to strengthen the management of accounts receivable and intensified its efforts in collecting accounts receivable, resulting in improved collection during the year, and 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 on the profit before taxation of the Company for the current period was a decrease of RMB249.93 million.

(3) The provision made for bad debts on other receivables and long-term receivables for the current period was RMB878.06 million, reversed RMB192.77 million for the current period, while the net impact on the profit before taxation of the Company for the current period was a decrease of RMB685.29 million. The provision for bad debts for the current period was primarily due to the impairment loss recognized on receivables from finance leases and loans due from related parties, amounting to an aggregate of RMB452.57 million. The reversal for the current period mainly resulted from the strengthened collection management of long-overdue receivables and the recovery of other receivables and long-term receivables which had been individually provided for impairment in previous years, leading to the reversal of bad debt provisions amounting to RMB139.43 million.

(4) The provision made for bad debts on other assets for the current period was RMB275.44 million, and the reversal for the current period amounted to RMB327.24 million, with the net impact on the profit before taxation of the Company for the current period being an increase of RMB51.80 million, which is primarily due to changes in impairment losses on debt investments and loans.

2. Asset Impairment Loss

The net impact of the asset impairment losses on the profit before taxation of the Company for the year 2025 was a decrease of RMB1,388.99 million, which mainly included:

(1) The net impact of inventory write-downs on the profit before taxation amounted to a decrease of RMB941.02 million. Inventory write-downs are recognised or reversed mainly as the Company measures inventories at the lower of cost and net realisable value, and makes provision for inventory write-downs for the difference where cost exceeds net realisable value by inventory category. During the year, provision for inventory write-downs was made mainly due to the impact of raw material price fluctuations on certain products.

(2) The net impact of impairment losses on fixed assets on the profit before taxation amounted to a decrease of RMB307.86 million, mainly because the carrying amount of fixed assets was higher than the expected

recoverable amount in the future.

(3) Impairment losses on other assets mainly represented increased provisions for prepayments, investment properties and other assets as compared with the beginning of the period.

Based on the above, the net impact of the provision for impairment made by the Company for the year 2025 on the profit before taxation of the Company for the year 2025 was a decrease of RMB2,419.66 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

Hu Xupeng

Joint Company Secretary

Shanghai, the PRC, 30 March 2026

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 Ms. ZHU Yun, Mr. ZHU Jiaqi and Mr. CAO Qingwei; and the independent non-executive directors of the Company are Dr. LIU Yunhong, Dr. DU Zhaohui and Dr. CHEN Xinyuan.

** For identification purpose only*