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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 eighth meeting of the sixth session of the board of directors of the Company was held on 28 August 2026, at which the Resolution in relation to the Provision for Impairment for the First Half of 2026 was considered and approved. The details of the provision for impairment for the first half of 2026 are set out 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 first half of 2026, the Company conducted impairment tests on various assets as at 30 June 2026 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 2026, the credit impairment loss of the Company amounted to RMB1,035.49 million and asset impairment loss amounted to RMB755.24 million. Based on the above, the net impact of the provision for impairment on the profit before taxation of the Company for the first half of 2026 was a decrease of RMB1,790.73 million.

II. RELEVANT EXPLANATIONS ON THE PROVISION FOR IMPAIRMENT

1. Credit Impairment Loss

The credit impairment losses provided for by the Company for the first half of 2026 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.

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 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 makes provisions for expected credit losses accordingly, based on the expected credit loss rates under different scenarios and the probability-weighted occurrence of each scenario.

2. Asset Impairment Loss

The asset impairment losses recognised by the Company for the first half of 2026 mainly included provision for inventory write-downs, provision for impairment of contract assets, provision for impairment of fixed assets and provision for impairment of long-term equity investments.

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 an aggregate basis for inventories that are produced and sold in the same geographic region and have the same or similar end uses.

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, long-term equity investments and other non-current assets, the asset impairment loss is recognised for 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 2026 are set out as follows:

Unit: RMB0'000

Item	Net impact on profit before taxation
I. Credit Impairment Losses	103,549
Provision for bad debts on notes receivable	12,557
Provision for bad debts on accounts receivable measured at amortised cost	53,207
Provision for bad debts on long-term receivables and other receivables	36,411
Others	1,374
II. Asset Impairment Losses	75,524
Provision for inventory write-downs	40,648
Provision for impairment of contract assets	4,632
Provision for impairment of long-term equity investments	14,064
Provision for impairment of fixed assets	15,737
Others	443
Total	179,073

1. Credit Impairment Loss

The net impact of credit impairment losses for the Company for the first half of 2026 on the profit before taxation amounted to a decrease of RMB1,035.49 million, which mainly included:

(1) The provision made for bad debts on notes receivable for the current period was RMB129.46 million, and the reversal for the current period amounted to RMB3.89 million, with the impact on the profit before taxation of the Company for the current period being a decrease of RMB125.57 million, which was primarily due to provision for impairment losses on commercial acceptance bills issued by subsidiaries of certain third-party groups.

(2) The provision made for bad debts on accounts receivable for the current period amounted to RMB1,005.26 million, including RMB652.33 million made on a collective basis and RMB352.93 million made on an individual basis. The reversal of the provision for bad debts on accounts receivable for the current period amounted to RMB473.19 million, including RMB399.49 million of reversal of the provision for bad debts on accounts receivable made on a collective basis and RMB73.70 million of reversal of provision for bad debts on accounts receivable made on an individual basis. The impact of the above items on the profit before taxation of the Company for the current period was a decrease of RMB532.07 million.

(3) The provision made for bad debts on other receivables and long-term receivables for the current period was RMB420.16 million, and a reversal of RMB56.05 million was recorded, with the impact on the profit before taxation of the Company for the current period being a decrease of RMB364.11 million. The provision for bad debts for the current period was primarily due to the provision for bad debts on project borrowings receivable of RMB395.47 million, and the reversal of provision for bad debts for the current period was primarily due to the Company receiving finance lease receivables, resulting in a reversal of credit impairment losses of RMB47.27 million.

(4) The provision made for bad debts on other assets for the current period was RMB33.24 million, and a reversal of RMB19.50 million was recorded for the current period, with the impact on the profit before taxation of the Company for the current period being a decrease of RMB13.74 million, which was primarily due to changes in impairment losses on loans and guarantees provided by the Company's finance company.

2. Asset Impairment Loss

The net impact of the asset impairment losses on the profit before taxation of the Company for the first half of 2026 was a decrease of RMB755.24 million, which mainly included:

(1) 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. The provision for inventory write-downs of the Company for the current period amounted to RMB478.22 million, and a reversal of RMB71.74 million was recorded. The combined impact on the profit before taxation of the Company for the current

period was a decrease of RMB406.48 million.

(2) The provision for impairment of contract assets amounted to RMB112.67 million, and a reversal of RMB66.35 million was recorded. The combined impact on the profit before taxation of the Company for the current period was a decrease of RMB46.32 million. This was mainly due to the increase in provision for impairment made on a collective basis as compared to the beginning of the period.

(3) The provision for impairment of long-term equity investments amounted to RMB140.64 million. This represents an asset impairment loss recognised in relation to investee companies showing signs of impairment based on an assessment of their operating conditions and the assessment results indicating that their recoverable amounts are lower than their carrying amounts.

(4) The provision for impairment loss on fixed assets amounted to RMB157.37 million, which was primarily due to the recoverable amounts of fixed assets of the Company's certain subsidiaries being lower than their carrying amounts.

Based on the above, the net impact of the provision for impairment made by the Company for the first half of 2026 on the profit before taxation of the Company for the first half of 2026 was a decrease of RMB1,790.73 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, 28 August 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*