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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 fourth meeting of the sixth session of the board of directors of the Company was held on 29 April 2026, at which the Resolution in relation to the Provision for Impairment for the First Quarter of 2026 was considered and approved. The details of the provision for impairment for the first quarter of 2026 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 first quarter of 2026, the Company conducted impairment tests on various assets as at 31 March 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 quarter of 2026, the credit impairment loss of the Company amounted to RMB109.47 million and asset impairment loss amounted to RMB57.27 million. Based on the above, the net impact of the provision for impairment on the profit before taxation of the Company for the first quarter of 2026 was a decrease of RMB166.74 million.

II. RELEVANT EXPLANATIONS ON THE PROVISION FOR IMPAIRMENT

1. Credit Impairment Loss

The credit impairment losses recognised by the Company for the first quarter of 2026 mainly included bad debt losses on accounts receivable.

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 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 quarter of 2026 mainly included impairment losses on contract assets and provision for inventory write-down.

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

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 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.

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 quarter of 2026 are set out as follows:

Unit: RMB0'000

Item	Net impact on profit before taxation
I. Credit Impairment Losses	10,947
Provision for bad debts on accounts receivable measured at amortised cost	20,539
Provision for bad debts on long-term receivables and other receivables	-3,767
Others	-5,825
II. Asset Impairment Losses	5,727
Provision for impairment of contract assets	3,772
Provision for inventory write-downs	1,955

1. Credit Impairment Loss

The net impact of credit impairment losses for the Company for the first quarter of 2026 on the profit before taxation amounted to a decrease of RMB109.47 million, which mainly included:

(1) The net impact of impairment loss of accounts receivable on the profit before taxation was a decrease of RMB205.39 million, representing impairment losses recognised based on the lifetime expected credit losses for items measured on a collective basis and for items individually assessed for their credit risk.

(2) The net impact of impairment loss of other receivables and long-term receivables on the profit before taxation was an increase of RMB37.67 million, which was primarily due to the reversal of long-term receivables.

(3) The net impact of impairment loss of other assets on the profit before taxation was an increase of RMB58.25 million, which was primary due to the changes in impairment losses on loans and notes receivable.

2. Asset Impairment Loss

The net impact of the asset impairment losses on the profit before taxation of the Company for the first quarter of 2026 was a decrease of RMB57.27 million, which mainly included:

(1) The net impact of the impairment losses on contract assets on the profit before taxation of the Company was a decrease of RMB37.72 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.

(2) The net impact of inventory write-downs on the profit before taxation amounted to a decrease of RMB19.55 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.

Based on the above, the net impact of the provision for impairment made by the Company for the first quarter of 2026 on the profit before taxation of the Company for the first quarter of 2026 was a decrease of RMB166.74 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, 29 April 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*