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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 99th meeting of the fifth session of the board of directors of the Company was held on 30 August 2024, at which the Resolution in relation to the Provision for Impairment for the First Half of 2024 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 2024, the Company conducted impairment test on various assets as at 30 June 2024 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 2024, the Company made a provision of RMB930.31 million for credit impairment loss and a reversal of RMB536.22 million was recorded, and made a provision of RMB660.88 million for asset impairment loss and a reversal of RMB253.82 million was recorded. Based on above, for the first half of 2024, the net impact of the provision for impairment on the profit before taxation of the Company for the current period was RMB801.15 million.

II. RELEVANT EXPLANATIONS ON THE PROVISION FOR IMPAIRMENT

1. Credit Impairment Loss

The credit impairment losses of the Company accrued during the first half of 2024 mainly included bad debt losses on notes receivable, bad debt losses on trade receivable and bad debt losses on other 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, trade receivable, receivables financing and contract assets arising from transactions regulated by the Accounting Standards for Business Enterprises 14 - Revenue, the Group 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 Group also elects to measure the provision for losses based on lifetime expected credit loss.

Other than notes receivable, trade 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 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 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 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 next 12-month expected credit loss.

For commercial acceptance bills receivable, trade 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, weighs based on the expected credit loss rate under different scenarios and the probability of the occurrence of various scenarios, and accrued expected credit losses.

2. Asset Impairment Loss

The asset impairment losses of the Company accrued during the first half of 2024 mainly included provision for decline in value of inventories, impairment loss on contract 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 impairment of inventories 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 long-term equity investments 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 of the asset group is determined using 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 2024 are set out as follows:

Unit: RMB'000

Name of item	Provision	Reversal
Provision for bad debts on notes receivable	1,588	-203
Provision for bad debts on trade receivables measured at amortized cost	70,860	-35,334
Provision for bad debts on other receivables	3,127	-
Provision for bad debts on loans	12,214	-14,738
Provision for decline in the value of inventories	47,867	-19,951
Others	23,463	-8,778
Total	159,119	-79,004

1. Credit Impairment Loss

The provision of the Company made for credit impairment loss for the current period amounted to RMB930.31 million for the current period, and the reversal amounted to RMB536.22 million, with the net impact on the profit before taxation of the Company for the current period amounting to RMB394.09 million. Mainly including:

The provision made for bad debts on notes receivable for the current period amounted to RMB15.88 million, and the reversal amounted to RMB2.03 million, with the net impact on the profit before taxation of the Company for the current period amounting to RMB13.85 million.

The provision made for bad debts on trade receivables for the current period amounted to RMB708.60 million, including RMB661.25 million made on a grouping basis and RMB47.35 million made on an individual basis. The reversal of the provision for bad debts on trade receivables for the current period amounted to RMB353.34 million, including RMB61.68 million of reversal of provision for bad debts on trade receivables made on a grouping basis and RMB291.66 million of reversal of provision for bad debts on trade receivables made on an individual basis, mainly due to the fact that the Company continued to strengthen the management of trade receivables and intensified its efforts in collecting trade receivables, and received the amounts for power station engineering projects and sales of equipment which had already been provided for individually in the previous years. The net impact of the provision for bad debts on trade receivables on the profit before taxation of the Company for the current period was RMB355.26 million.

The provision made for bad debts on other receivables for the current period was RMB31.27 million, with the net impact on the profit before taxation of the Company for the current period amounting to RMB31.27 million.

The provision made for bad debts on loans for the current period was RMB122.14 million, and the reversal amounted to RMB147.38 million, with the net impact on the profit before taxation of the Company for the current period amounting to RMB25.24 million.

2. Assets Impairment Loss

The Company recorded a loss of RMB660.88 million on provision for impairment of assets for the current period and the reversal amounted to RMB253.82 million, with the net impact on the profit before taxation of the Company for the current period amounting to RMB407.06 million.

The main reason for the provision or reversal of provision for impairment of assets was that the inventories of the Company were measured at the lower of cost or net realisable value, and provision for decline in value of inventories was made at the difference between cost and net realisable value according to the items to which the inventories belonged. The provision for decline in value of inventories of the Company for the current period amounted to RMB478.67 million, and the reversal amounted to RMB199.51 million, with the net impact on the profit before taxation of the Company for the period amounting to RMB279.16 million.

Based on above, for the first half of 2024, the net impact of the provision for impairment on the profit before taxation of the Company for the current period was RMB801.15 million.

The above data have not been audited and are subject to the amount as confirmed by the accounting firm after annual audit.

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, 30 August 2024

As at the date of this announcement, the executive directors of the Company are Dr. WU Lei 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*