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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 LITIGATION AGAINST A SUBSIDIARY

This announcement is made by the board of directors of Shanghai Electric Group Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

I. General Information on the Litigation

Reference is made to the inside information announcement dated 31 May 2021 of the Company in relation to the accounts receivable of Shanghai Electric Communication Technology Co., Ltd. (上海電氣通訊技術有限公司) (“**SECT**”), a subsidiary held as to 40% by the Company, being generally overdue. To reduce losses, SECT has filed a number of civil litigations against certain debtors with Shanghai No.2 Intermediate People's Court (上海市第二中級人民法院) and Shanghai Yangpu District People's Court (上海市楊浦區人民法院) (“**Yangpu District Court**”).

Recently, SECT received materials including a notice of responding to action and a subpoena from Yangpu District Court, in which Jiangsu Zhongli Group Co., Ltd. (江蘇中利集團股份有限公司) (“**Jiangsu Zhongli**”), as the plaintiff, brought a claim against SECT to request payment for goods, the corresponding interest and attorney's fee for litigation in a total amount of approximately RMB545.0757 million.

II. Facts of the Case, Requests and Reasons under the Litigation

Jiangsu Zhongli claimed that according to the 14 "Domestic Trade Procurement Contracts (Raw Materials)" signed between Jiangsu Zhongli and SECT on 7 November 2017 and 2 February 2018, SECT purchased SN-A adaptive network data encoders from Jiangsu Zhongli with a total contract amount of RMB662.97 million. After signing the contracts, SECT paid a 10% advance and Jiangsu Zhongli delivered all the goods under the contracts to SECT. Except for 2 of the 14 contracts having been paid by SECT, the balances under the remaining 12 contracts were overdue. Therefore, Jiangsu Zhongli brought a claim against SECT requiring SECT to settle a payment for goods of RMB506.709 million together with interest of RMB37.1667 million (tentatively accrued to 19 July 2021) as well as the attorney's fee for

litigation of RMB1.2 million, in aggregate approximately RMB545.0757 million.

III. Impact of the Litigation on the Profit of the Company for the Current or Subsequent Periods

As the litigation above has not yet been heard, the impact of this litigation on the profit of the Company for the current or subsequent periods is subject to uncertainties.

The Company will carry out corresponding accounting treatment according to the requirements of relevant accounting standards and actual conditions based on the trial progress and results of this litigation. Meanwhile, the Company will perform its obligation of information disclosure and make timely announcement on the progress of the litigation.

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

By order of the Board

Shanghai Electric Group Company Limited

LENG Weiqing

Chairlady of the Board

Shanghai, the PRC, 18 October 2021

As at the date of this announcement, the executive directors of the Company are Ms. LENG Weiqing and Mr. ZHU Zhaokai; the non-executive directors of the Company are Mr. GAN Pin, Ms. YAO Minfang and Ms. LI An; and the independent non-executive directors of the Company are Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong.

** For identification purpose only*