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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02727)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

PERFORMANCE HIGHLIGHTS

- ▶ Total revenue of the Company for 2022 was RMB117,623 million, a decrease of 9.7% year-on-year
- ▶ Loss attributable to owners of the Company for 2022 was RMB 3,566 million, loss attributable to owners of the Company for the corresponding period of last year was RMB9,988 million
- ▶ Basic loss per share of the Company for 2022 was RMB0.23 yuan, basic loss per share of the Company for the corresponding period of last year was RMB0.64 yuan
- ▶ New orders for 2022 amounted to RMB133.27 billion, a decrease of 7.6% year-on-year
- ▶ The Board proposed not to declare any final dividend for 2022

The board of directors (the “**Board**”) of Shanghai Electric Group Company Limited (the “**Company**” or “**Shanghai Electric**”) hereby announces the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022. The Group’s results have been audited by PricewaterhouseCoopers Zhongtian LLP. The annual results of the Company for the year ended 31 December 2022 have been prepared in accordance with China Accounting Standards for Business Enterprises.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

ASSETS	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
Current assets			
Cash at bank and on hand		26,344,500	25,359,181
Clearing settlement funds		24,317	25,214
Placements with banks and other financial institutions		24,613,553	28,992,175
Held-for-trading financial assets		7,657,438	7,603,097
Derivative financial assets		55,890	44,101
Notes receivable		6,257,285	7,811,332
Accounts receivable	3	38,279,969	33,429,218
Receivables financing		2,105,589	1,145,493
Prepayments		10,276,967	13,424,089
Other receivables		6,156,517	8,710,708
Financial assets purchased under resale agreements		1,131,206	188,202
Inventories		30,871,914	32,879,469
Contract assets		21,801,813	31,193,824
Assets held for sale		-	43,708
Non-current assets due within one year		2,857,670	2,820,830
Other current assets		22,719,005	16,105,203
Total current assets		201,153,633	209,775,844
Non-current assets			
Loans and advances		1,590,952	2,138,138
Debt investments		152,863	-
Other debt investments		-	81,874
Long-term receivables		3,328,725	4,258,199
Long-term equity investments		11,183,753	11,401,990
Other non-current financial assets		7,268,463	6,966,597
Investment properties		660,172	822,975
Fixed assets		20,282,308	19,889,387
Constructions in progress		3,427,951	5,024,094
Right-of-use assets		1,402,169	1,441,832
Intangible assets		12,582,986	12,956,893
Research and development expenditures		35,818	40,636
Goodwill		3,288,723	3,954,704
Long-term deferred expenses		555,484	608,848
Deferred tax assets		7,733,152	8,078,305
Other non-current assets		13,373,700	13,361,874
Total non-current assets		86,867,219	91,026,346
TOTAL ASSETS		288,020,852	300,802,190

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
Current liabilities			
Short-term borrowings		8,660,895	11,836,366
Held-for-trading financial liabilities		32,017	28,569
Derivative financial liabilities		10,450	9,625
Notes payable		16,069,558	16,578,854
Accounts payable	4	57,396,886	61,303,577
Advances from customers		786,313	738,047
Contract liabilities		38,742,797	39,160,400
Deposits from customers, banks and other financial institutions		6,076,565	5,198,722
Employee benefits payable		4,958,030	4,358,557
Taxes payable		2,030,487	2,180,202
Other payables		7,859,473	8,602,557
Liabilities held for sale		-	35,568
Non-current liabilities maturing within one year		9,120,361	8,274,340
Other current liabilities		11,781,611	10,573,957
Total current liabilities		163,525,443	168,879,341
Non-current liabilities			
Long-term borrowings		21,647,690	23,845,417
Bonds payable		748,697	2,490,445
Lease liabilities		1,077,425	1,027,996
Long-term payables		562,855	583,015
Deferred income		1,491,212	1,651,556
Long-term employee benefits payable		175,854	224,673
Provisions		3,592,976	2,912,930
Deferred tax liabilities		836,321	775,648
Other non-current liabilities		168,212	266,816
Total non-current liabilities		30,301,242	33,778,496
Total liabilities		193,826,685	202,657,837
Owners' equity			
Share capital		15,579,809	15,705,971
Less: treasury stocks		-	(382,271)
Capital surplus		21,837,822	22,045,560
Other comprehensive income		(24,891)	(509,829)
Special reserve		143,786	149,948
Surplus reserve		5,906,524	5,906,524
Retained earnings		11,419,263	15,218,425
Total equity attributable to equity owners of the Company		54,862,313	58,134,328
Minority interests		39,331,854	40,010,025
Total owners' equity		94,194,167	98,144,353
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		288,020,852	300,802,190

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

	Notes	For the year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated, Note 2)
Total revenue		117,623,118	130,261,250
Including: Operating revenue	5	116,985,807	129,554,848
Interest income	5	636,982	704,552
Income from handling charges and commissions	5	329	1,850
Total cost of sales		(117,467,341)	(130,304,620)
Including: Operating cost	5、6	(98,496,897)	(110,572,826)
Interest expenses	5、6	(87,168)	(103,242)
Handling charges and commissions expenses	5、6	(754)	(917)
Taxes and surcharges		(531,757)	(562,868)
Selling and distribution expenses	6	(3,853,301)	(4,601,099)
General and administrative expenses	6	(8,167,949)	(7,930,489)
Research and development expenditures	6	(5,028,466)	(5,405,769)
Financial expenses - net		(1,301,049)	(1,127,410)
Including: Interest expenses		(1,757,576)	(1,161,087)
Interest income		504,533	316,627
Add: Other income		1,077,991	996,998
Investment income		1,113,637	1,830,299
Including: Share of profit of associates and joint ventures		858,533	211,000
Losses arising from derecognition of financial assets measured at amortised cost		(8,992)	(16,108)
Exchange gains		21,394	991
(Losses)/Gains on changes in fair value		(715,315)	1,705,848
Losses from credit impairment		(2,093,465)	(10,986,962)
Losses from asset impairment		(2,144,917)	(4,525,332)
Gains on disposals of assets		560,440	183,064
Operating losses		(2,024,458)	(10,838,464)
Add: Non-operating income		223,041	641,169
Less: Non-operating expenses		(173,881)	(92,344)
Total losses		(1,975,298)	(10,289,639)
Less: Income tax expenses	7	(337,708)	49,508
Net losses		(2,313,006)	(10,240,131)
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-
Attributable to equity owners of the Company		(3,566,484)	(9,987,908)
Minority interests		1,253,478	(252,223)

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

	Notes	For the year ended 31 December	
		2022 RMB'000	2021 RMB'000 (Restated, Note 2)
Other comprehensive income, net of tax		489,995	(211,215)
Attributable to equity owners of the Company		484,938	(199,970)
Other comprehensive income that will not be subsequently reclassified to profit or loss		22,390	766
Changes arising from remeasurement of net liability or net asset of defined benefit plan		22,390	766
Other comprehensive income that will be subsequently reclassified to profit or loss		462,548	(200,736)
Changes in fair value of other debt investments		(10,419)	(25,655)
Changes in fair value of accounts receivable measured at fair value through other comprehensive income		-	-
Provision for impairment of other debt investments and receivables financing		(15,981)	23,593
Cash flow hedges, net of tax		1,821	-
Exchange differences on translation of foreign operations		487,127	(198,674)
Losses/gains on net foreign investment hedging		-	-
Attributable to minority interests		5,057	(11,245)
Total comprehensive income		(1,823,011)	(10,451,346)
Attributable to equity owners of the Company		(3,081,546)	(10,187,878)
Attributable to minority interests		1,258,535	(263,468)
Earnings per share			
Basic earnings per share (RMB yuan)	8	(0.23)	(0.64)
Diluted earnings per share (RMB yuan)	8	(0.23)	(0.64)

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

1 General Information

Shanghai Electric Group Company Limited (the “**Company**”) is a joint stock limited liability company established in the People’s Republic of China (the “**PRC**”) on 1 March 2004. The registered office of the Company is located on 30th floor, No. 8 Xing Yi Road, Shanghai, the PRC.

During the year, the Company and its subsidiaries (together the “**Group**”) are engaged in the following principal activities:

- the energy equipment segment: design, manufacture and sale of nuclear power equipment, energy storage equipment, wind power equipment, coal-fired power generation and corollary equipment, gas-fired power generation equipment, high-end vessels for chemical industry, and provision of solutions for power grid and industrial intelligent power supply system;
- the industrial equipment segment: design, manufacture and sale of elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts and construction industrialization equipment;
- the integrated services segment: provision of energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; industrial internet services; financial services, covering financing leases, factoring, asset management and insurance brokerage; international trade services; property management services mainly based on industrial real estate and etc.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Shanghai Electric Holding Group Co., Ltd. (“**SEGC**”), a state-owned enterprise established in the PRC.

The Company has its ordinary shares listed on both the Stock Exchange of Hong Kong Limited and the Stock Exchange of Shanghai Limited.

2 Summary of important accounting policies

The main accounting policies used in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies are applied in all reported years. These consolidated financial statements include Shanghai Electric Group Co., Ltd. and its subsidiaries.

2.1.1 Basis of preparation

The financial statements were prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations (hereafter collectively referred to as “**the Accounting Standards for Business Enterprises**” or “**CAS**”) issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by the CSRC.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance came into effect on 3 March 2014. Certain related matters in the financial statements have been disclosed in accordance with the requirements of the Hong Kong Companies Ordinance.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

2 Summary of important accounting policies

2.1.2 Change in accounting policy

In 2022, the Ministry of Finance issued the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Doing a Good Job in the 2022 Annual Reports of Enterprises (Cai Hui [2022] No. 32), and in 2023, it promulgated the Q&A on the Implementation of Long-term Equity Investment Standards. The above implementation Q&A further regulates the specific offsetting accounts for unrealized insider transaction gains and losses incurred between investors and joint ventures or associates in the consolidated financial statements. In addition, the above-mentioned annual report notice clarifies that if an enterprise adjusts its accounting treatment due to the implementation of the Q&A in accordance with the accounting standards for enterprises issued by the Ministry of Finance, it should adjust the information for the comparable period of the financial statements and disclose the relevant information. The Group and the Company have prepared the 2022 financial statements using the above notice and implementation Q&A, and the comparative financial statements for 2021 have been restated accordingly, the specific impact is as follows:

(a) A downstream transaction in which the Group sells assets to an associated enterprise

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected
		For the year ended 31 December 2021
		The group
The Group provides construction engineering services and sells wind turbine products to affiliates, etc. In preparing the consolidated financial statements, the Group offsets the portion of unrealized internal transaction gains and losses arising from the above pass-through transactions that is attributable to the Group based on the percentage of shareholding, and accordingly offsets operating revenues, operating costs and selling expenses and adjusts investment income on the basis of the offsetting corporate financial statements.	Operating revenue	(1,126,602)
	Operating cost	909,933
	Selling and distribution expenses	28,454
	Investment Income	188,215

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

**NOTES TO CONSOLIDATED FINANCIAL INFORMATION(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

3 Accounts receivable

	31 December 2022	31 December 2021
Accounts receivable	55,475,944	50,989,672
Less: Provision for bad debts	(17,195,975)	(17,560,454)
	<u>38,279,969</u>	<u>33,429,218</u>

(i) The aging of accounts receivable was analyzed as follows:

	31 December 2022	31 December 2021
Undue	21,607,854	15,635,655
Overdue within 1 year	9,289,613	14,364,601
Overdue 1 year but within 2 years	9,966,854	8,284,690
Overdue 2 year but within 3 years	5,893,128	6,081,529
Overdue 3 year but within 4 years	4,856,653	1,644,027
Overdue 4 year but within 5 years	631,620	1,095,355
Overdue over 5 years	3,230,222	3,883,815
	<u>55,475,944</u>	<u>50,989,672</u>

(ii) The aging analysis of accounts receivable according to the date of entry is as follows:

	31 December 2022	31 December 2021
Within 1 year	25,630,900	27,367,203
1 to 2 years	12,523,380	8,424,793
2 to 3 years	7,434,301	8,088,301
3 to 4 years	5,382,166	1,814,957
4 to 5 years	981,285	1,125,568
over 5 years	3,523,912	4,168,850
	<u>55,475,944</u>	<u>50,989,672</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION(CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

3 Accounts receivable (Cont'd)

Movements of provision for bad debts of accounts receivable:

Balance on 31 December 2021	17,560,454
Accrual in the current year	2,168,678
Reversal in the current year	(1,171,129)
Decrease in disposal of subsidiaries	(1,311,561)
Current year write-off	(50,467)
Balance on 31 December 2022	<u>17,195,975</u>

The ageing of accounts receivable including related party was analysed as follows:

	31 December 2022		31 December 2021	
	Book balance	Bad debt provision	Book balance	Bad debt provision
SEGC	43,039	401	1,119	13
Company controlled by the parent company	4,347,188	204,927	1,516,517	96,960
Joint venture	630	-	70,791	1,692
Associates	322,532	30,151	1,076,303	262,594
Other affiliated enterprises	<u>1,028,003</u>	<u>12,543</u>	<u>893,165</u>	<u>5,848</u>
	<u>5,741,392</u>	<u>248,022</u>	<u>3,557,895</u>	<u>367,107</u>

4 Accounts payable

	31 December 2022	31 December 2021
Accounts payable	<u>57,396,886</u>	<u>61,303,577</u>

The aging of accounts payable was analysed as follows:

	31 December 2022	31 December 2021
Within 3 months	36,583,071	33,066,158
Over 3 months but within 6 months	3,633,310	4,603,012
Over 6 months but within 1 year	7,085,401	5,661,368
Over 1 year but within 2 years	4,348,380	9,226,113
Over 2 years but within 3 years	1,804,195	4,263,316
Over 3 years	<u>3,942,529</u>	<u>4,483,610</u>
	<u>57,396,886</u>	<u>61,303,577</u>

As at 31 December 2022, accounts payable with aging over one year amounted to RMB10,095,104 thousand (31 December 2021: RMB17,973,039 thousand), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled as the projects are still under construction.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

**NOTES TO CONSOLIDATED FINANCIAL INFORMATION(Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

4 Accounts payable(Cont'd)

The aging of accounts payable including related party was analysed as follows:

	31 December 2022	31 December 2021
Company controlled by the parent company	219,643	88,863
Joint ventures	251	296
Associates	413,944	245,296
Other affiliated enterprises	283,817	391,404
	<u>917,655</u>	<u>725,859</u>

5 Revenue and cost of sales

	For the year ended 31 December 2022	For the year ended 31 December 2021
Revenue from main operations	114,496,488	126,998,474
Revenue from other operations	2,489,319	2,556,374
Interest income	636,982	704,552
Income from handling charges and commissions	329	1,850
	<u>117,623,118</u>	<u>130,261,250</u>

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales from main operations	97,521,681	109,264,153
Cost of sales from other operations	975,216	1,308,673
Interest expenses	87,168	103,242
Handling charges and commissions expenses	754	917
	<u>98,584,819</u>	<u>110,676,985</u>

Revenue from main operations includes sales revenue from energy equipment, industrial equipment and integrated services. Cost of sales refers to those of products related to main operations.

Details of revenue from main operations are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Sale of goods	86,126,054	91,793,950
Engineering construction	17,669,945	24,774,800
Rendering of services	10,700,489	10,429,724
	<u>114,496,488</u>	<u>126,998,474</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED**NOTES TO CONSOLIDATED FINANCIAL INFORMATION(Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

5 Revenue and cost of sales(Cont'd)

Details of revenue from other operations are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Sales of raw materials	1,205,183	1,313,613
Leasing income	656,952	534,633
Finance lease income	189,894	328,948
Rendering of non-industrial services	164,892	166,749
Sales of energy	35,220	25,673
Others	237,178	186,758
	<u>2,489,319</u>	<u>2,556,374</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

**NOTES TO CONSOLIDATED FINANCIAL INFORMATION(CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

5 Revenue and cost of sales (Cont'd)

For the year ended 31 December 2022									
	Sales of Goods			Engineering construction					Total
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Rendering of services	Others	
Revenue from main operations	77,706,678	987,138	7,432,238	7,913,907	9,117,196	638,842	10,700,489	-	114,496,488
Including: Recognised at point of time	77,706,678	987,138	7,432,238	-	-	-	249,618	-	86,375,672
Recognised overtime	-	-	-	7,913,907	9,117,196	638,842	10,450,871	-	28,120,816
Revenue from other operations	944,369	104,010	139,233	-	-	-	164,892	1,136,815	2,489,319
	78,651,047	1,091,148	7,571,471	7,913,907	9,117,196	638,842	10,865,381	1,136,815	116,985,807

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

5 Revenue and cost of sales (Cont'd)

	For the year ended 31 December 2021								
	Sales of Goods			Engineering construction					Total
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Rendering of services	Others	
Revenue from main operations	83,610,979	1,028,814	7,154,157	9,624,678	13,913,992	1,236,130	10,429,724	-	126,998,474
Including: Recognised at point of time	83,610,979	1,028,814	7,154,157	-	-	-	175,087	-	91,969,037
Recognised overtime	-	-	-	9,624,678	13,913,992	1,236,130	10,254,637	-	35,029,437
Revenue from other operations	846,336	426,335	40,942	-	-	-	166,749	1,076,012	2,556,374
	84,457,315	1,455,149	7,195,099	9,624,678	13,913,992	1,236,130	10,596,473	1,076,012	129,554,848

- (i) As at 31 December 2022, the Group's income corresponding to the performance obligations that have been signed but not yet fulfilled or not yet completed was RMB38,886,075 thousand, of which RMB38,742,797 thousand was expected to be recognised in 2023 and RMB143,278 thousand was expected to be recognised in 2024 and beyond.
- (ii) In 2022, the Group did not receive any additional rewards for the early completion of labour services. The Group's revenue from sales of materials is recognised at a time point.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

6 Expenses by nature

	For the year ended 31 December 2022	For the year ended 31 December 2021
Consumption of raw materials	60,702,112	68,285,718
Machinery and services purchased	31,460,176	36,547,092
Labour costs	12,630,640	12,060,673
Depreciation and amortisation	2,835,822	2,273,590
Freight and package fees	1,299,464	1,505,798
Warranty expenses	1,003,860	1,619,031
Office expenses	760,941	786,169
Power and energy expenses	722,371	721,886
Agency fee and commission	508,751	599,217
Technology commission fees and technical service fees	454,582	600,310
Depreciation of right-of-use assets	401,474	351,827
Rental fees	331,073	370,503
Consultation fee	284,225	303,832
Property cost	270,535	280,456
Travel expenses	268,356	330,621
Market development fee	176,378	238,277
Auditor fees - Audit services	26,520	30,710
- Non-audit services	400	760
Daily maintenance and repair expenses of fixed assets	3,781	2,641
Others	1,493,074	1,705,231
Total	<u>115,634,535</u>	<u>128,614,342</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)

7. Income tax expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current tax charger for the period	1,126,490	1,583,469
Annual filing differences for the current period	(8,745)	(8,651)
Deferred tax	(780,037)	(1,624,326)
	<u>337,708</u>	<u>(49,508)</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Total losses	<u>(1,975,298)</u>	<u>(10,289,639)</u>
Tax at the statutory tax rate (Note 1)	(493,825)	(2,572,410)
Lower tax rates for specific districts or concessions	(115,208)	(230,133)
Adjustments for current income tax of prior periods	(8,745)	(8,651)
Profits and losses attributable to joint ventures and associates	(175,212)	(44,317)
Income not subject to tax	(48,865)	(151,676)
Expenses not deductible for tax	44,181	30,585
Tax incentives on eligible expenditures	(474,498)	(321,844)
Utilization of previously unrecognised tax losses and deductible temporary differences	(47,128)	(17,830)
Tax losses and deductible temporary differences for which no deferred tax assets was recognised	<u>1,657,008</u>	<u>3,266,768</u>
Income tax expenses	<u>337,708</u>	<u>(49,508)</u>

Note 1: The Group's income tax is provided based on estimated taxable income in China and the applicable tax rates. Taxes on income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

**NOTES TO CONSOLIDATED FINANCIAL INFORMATION (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

8. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the current period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. Newly issued ordinary shares are included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue) according to specific terms of the issuance contract.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Consolidated net losses attributable to ordinary shareholders of the parent company	(3,566,484)	(9,987,908)
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	15,611,350	15,662,253
Basic earnings per share	<u>RMB(0.23)yuan</u>	<u>RMB(0.64)yuan</u>
Including:		
- Basic earnings per share from continuing operations (i):	RMB(0.23)yuan	RMB(0.64)yuan
- Basic earnings per share from discontinued operations:	<u>-</u>	<u>-</u>

- (i) The Company implements an equity incentive plan. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to shareholders of ordinary shares less the revocable cash dividends distributed in the current period of shares that are expected to be unlocked in the future; the denominator does not include the number of restricted shares.

b) Diluted earnings per share

Diluted earnings per share is calculated based on adjusted consolidated net profit attributable to common shareholders of the parent company based on diluted potential common shares divided by the adjusted weighted average of the Company's outstanding common shares. There are no potentially dilutive common shares of the Company in 2022. Therefore, diluted earnings per share equals basic earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

In 2022, the international and regional situation were complex, the world economy recovered weakly, and the domestic economy was still facing the triple pressures of “shrinking demand, disrupted supply and weakening expectations”. In the face of the complex and severe internal and external environment, we actively seized the opportunity of national strategy, comprehensively promoted the implementation of the Group's "14th Five Year Plan" strategy, and worked together throughout the Group and forged ahead in unity to coordinate the management improvement and promote business development, keeping the overall operation of the Company stable and orderly.

During the reporting period for the year ended 31 December 2022 (the "**Reporting Period**"), the Company achieved the revenue of RMB117,623 million, representing a year-on-year decrease of 9.7%; and the gross profit margin of the Company was 16.2%, representing a year-on-year increase of 1 percentage point. The net losses attributable to owners of the Company for 2022 was RMB3,566 million, and net losses attributable to owners of the Company for the corresponding period of last year was RMB9,988 million. The basic loss per share of the Company for 2022 was RMB0.23 yuan, basic loss per share for the corresponding period of last year was RMB0.64 yuan. The main reasons for the net loss attributable to shareholders of the Company for the year of 2022 are as follows: (1) during the Reporting Period, some of domestic production and operation subsidiaries and invested enterprises of the Company were affected by factors such as rising raw material prices and rising logistics costs, resulting in an increase in operating costs related to production and operation; (2) during the Reporting Period, some of overseas engineering businesses of the Company were affected by various factors such as the international situation, Russia-Ukraine conflicts, overseas inflation and projects execution, resulting in a substantial increase in engineering construction costs and collection of receivables less than expected; (3) during the Reporting Period, due to the impact of the capital market, the value of financial assets measured at fair value held by the Company fluctuated.

During the Reporting Period, the Company obtained new orders in the amount of RMB133.27 billion. Among the new orders of the Company, orders for energy equipment amounted to RMB68.38 billion (of which orders for nuclear power equipment, coal-fired power equipment, energy storage equipment and wind power equipment amounted to RMB5.88 billion, RMB16.46 billion, RMB10.87 billion and RMB17.70 billion, respectively), orders for industrial equipment amounted to RMB42.12 billion, and orders for integrated services amounted to RMB22.77 billion. As at the end of the Reporting Period, our orders on hand amounted to RMB268.53 billion. Among our orders on hand by the end of the Reporting Period, orders for energy equipment amounted to RMB155.44 billion (of which orders for nuclear power equipment, coal-fired power equipment, energy storage equipment and wind power equipment amounted to RMB27.90 billion, RMB52.80 billion, RMB7.77 billion and RMB39.24 billion, respectively), orders for industrial equipment amounted to RMB15.68 billion, and orders for integrated services amounted to RMB97.41 billion.

During the Reporting Period, the main business operation of the Company is as follows:

1. Embrace energy reform and seize the new track of carbon peaking and carbon neutrality

Shanghai Electric takes the docking of the national strategy of "carbon peaking and carbon neutrality" and the comprehensive green and low-carbon transformation as the main line of development, and accelerates the layout of new track of green and low-carbon fields, and focuses on the development of new energy industry in fields of wind power, photovoltaic, energy storage and hydrogen energy.

In the field of energy storage, we have accelerated the deployment of diversified energy storage, actively tapping into multiple routes such as electrochemical energy storage, molten salt energy storage, compressed air energy storage and flywheel energy storage. Among them, in electrochemical energy storage systems, we already have full coverage from battery packs to battery management systems (BMS), energy management systems (EMS), and power conversion system (PCS). Our redox flow energy storage battery production line has production capacity of 200MW/1GWh (referring to the maximum power and maximum storage capacity) and has the comprehensive capability in designing system-level energy storage power plants. A mutually synergistic and independent and outstanding lithium battery industry chain ecosystem has initially been developed including the lithium battery energy storage products at the terminal of energy and the lithium battery production line equipment at the terminal of industry. During the Reporting Period, energy storage demonstration project of Anhui Jinzhai Intelligent Energy Storage New Energy Technology Co., Ltd., which adopted the Lithium iron phosphate battery energy storage system developed by Shanghai Electric, was officially connected to the grid for power supply.

In the field of hydrogen energy, relying on our technology accumulated in the field of alkaline water electrolysis and PEM (Proton Exchange Membrane) electrolysis for production of hydrogen, we have established Shanghai Hydrogen Era Technology Co., Ltd. to fully build up the core competitiveness across the whole industry chain including “production”, “storage”, “hydrogenation” and “utilization” of hydrogen energy and enter the research and development, system integration and other fields of hydrogen energy technology so as to provide customers with high-end green hydrogen equipment and hydrogen energy comprehensive utilization system solutions.

In the field of wind power, during the Reporting Period, the first EW8.5-230 product for the "Poseidon" Haishen multibrid platform and the first EW11.0-208 product for the "Petrel" Haiyan multibrid platform, both we independently developed, achieved bulk deliveries. We won the bid for the world's first research and demonstration project on the integration of floating offshore wind power and fish farming equipment, which will enable the sharing of "platform structure, ocean space and operational functions" on multiple levels and in multiple spaces.

In the field of solar power generation, we successfully won the bid of a 110MW molten salt steam generation system project in Aksai Kazakh Autonomous County. The projects we undertook in overseas market, including the four photovoltaic projects in West Holcombe, Bishop, Outwood and Ingham in the UK, the Yakai photovoltaic project in Japan and the Kord photovoltaic project in Australia were successfully connected to the grid for power supply. The Dubai Photovoltaic Thermal Power Plant Project we undertake is a photovoltaic power generation complex project with the world's largest installed capacity, and some units of the project have entered commercial operation.

2. Adhere to scientific and technological innovation and lead the new driving force of development

We deeply implement the development philosophy of "science and technology is the primary productive force, talent is the primary resource, and innovation is the primary driver of growth", adhere to the industrial development path of "technology empowerment, innovation drive, and talent leadership", uphold the strategic mission of building self-reliance and strength in science and technology, and embody the responsibility of "being the most important force of the country".

During the Reporting Period, the technical strength of core industries of Shanghai Electric continued to improve, and obtained achievements in a number of independent technological research and development projects. In the field of nuclear power, in addition to continuing to promote the industrialization of the third generation pressurized water reactor, as to the area of advanced nuclear power systems, we have focused on promoting the scientific research and development of major

equipment for national key development reactors such as high-temperature gas cooled reactors, lead bismuth reactors, thorium based molten salt reactors, sodium cooled fast reactors, and CRAFT fusion reactors, as well as the development of small reactors and integrated heating reactors. In the field of energy storage, we have developed a series of products such as the second generation air-cooled lithium battery energy storage system products, MW grade flywheel energy storage motors, compressed air energy storage motors, and created core technical equipment for new energy. In the field of hydrogen energy, we have launched the first alkaline water electrolysis hydrogen production equipment with a single unit hydrogen production capacity of 1,500Nm³/h and the PEM electrolysis hydrogen production equipment with a single unit hydrogen production capacity of 50Nm³/h. Both can meet the needs for integrated and large-scale green hydrogen equipment through modular design. In the field of carbon capture, we are implementing carbon capture projects for two coal-fired power plants of Guoyue Group in Shaoguan and Chenzhou with the capacity of 100,000 tons per annum to capture carbon dioxide and refine to food-grade dry ice. In the field of wind power, the first 8MW-class medium to high speed offshore multibrid permanent magnet wind turbine which we independently developed was successfully launched. The Company focused on technology of temperature and efficiency enhancement of high-temperature subcritical units in the field of coal-fired power, and carried out research and development of renovation technology for 300MW and 600MW class coal-fired power equipment. In the field of industrial basic components, we actively participated in the joint development and formulation of high-lock bolt product standards for composite structures of civil aircraft. In the field of environmental protection, we successfully developed ultra-low emission integration technology and equipment of catalytic ceramic fibre filter tube, which achieved multi-pollutant integrated purification of the waste incineration flue gas, with the comprehensive technology reaching the leading level in China. In the field of seawater desalination, we undertook the Shandong Yulong Petrochemical Thermal Film Coupling Seawater Desalination Demonstration Project with a total scale of 160,000 tons/day, which uses our self-developed low-temperature waste heat resource cascade utilization thermal film coupling process package and overall solution.

Our 14th Five-Year Plan strategy further defines the development direction of the new track supported by hardcore technology and continuous investment in scientific and technological research and development in key areas. We have been selected into the list of "Creating World-class Professional, Refined, Featured and Innovative Demonstration Enterprises" of the State-owned Assets Supervision and Administration Commission. During the Reporting Period, we applied for a total of 51 scientific research projects of the national key research and development programme of the Ministry of Science and Technology, the special programme for enterprise innovation development and capacity enhancement of the Municipal State-owned Assets Supervision and Administration Commission, the special programme for promoting high-quality industrial development of the Municipal Economic and Information Commission, the scientific research programme of the Municipal Science and Technology Commission and the special programme for strategic emerging industries development of the Municipal Development and Reform Commission, covering renewable energy, hydrogen energy, energy storage and smart grid, carbon peaking and carbon neutrality and other fields.

In terms of attracting scientific and technological talents, we formulated the "Fourteen Measures of New Talent Policy of Shanghai Electric on New Industry and New Track (《上海電氣新產業新賽道人才新政十四條》)". Guided by "strategic guidance in a step ahead", "first-tier talent planning" and "market-based incentives", we focus on the first battlefield of the transformation of the old and new development drivers, and improve the top-level design of talents in new industries, so as to further build an innovative and open ecosystem of scientific and technological talents.

3. Deeply cultivate high-end equipment and drive the transformation and upgrading of advantageous industries

We closely focus on the national strategy of "advancing new industrialization " and "accelerating to boost China's strength in manufacturing ", continue to deepen the high-end equipment field, and promote the transformation and upgrading of advantageous industries.

Our nuclear power business continued to maintain the top position in the industry in terms of the comprehensive market share. During the Reporting Period, we have delivered the first RUV wet winding engine main pump of the "Guohe One" in the world. With the first successful grid connection of the Unit No. 3 of Karachi Nuclear Power Plant in Pakistan, an overseas demonstration project of "Hualong One", in which Shanghai Electric provided the main equipment of nuclear and conventional islands, and the completion of 168 hours of trial operation of the Unit No. 6 of Fuqing Nuclear Power Plant, a demonstration project of "Hualong One", in which Shanghai Electric provided the reactor vessel internals, the China's third-generation nuclear power "Hualong One" demonstration projects in China and abroad have fully completed and put into production, which has strongly underpinned China's leapfrogging from a nuclear power big country to a nuclear power strong country. During the Reporting Period, we undertook a project of high temperature gas-cooled reactor steam generator of fourth-generation nuclear power, becoming the first domestic manufacturer of complete set of main core mechanical equipment for the high temperature reactor nuclear islands.

In the field of coal-fired power equipment, we are widely recognized by our customers for our secondary reheat technology with high technology level and excellent quality service. During the Reporting Period, we have won the bids for the complete set of main power generation equipment for the 1×600MW ultrasupercritical secondary reheat project of Xiamen Huaxia Power International Development Co., Ltd. (廈門華夏國際電力有限公司), the turbine generator equipment of 2×1000MW secondary reheat project of Chang'an Yiyang Power Generation Co., Ltd. (長安益陽發電有限公司), the electromechanical furnace auxiliary and main equipment for the 2×1,000MW secondary reheat project Phase III of CRC Puqi and the 1×1,000MW secondary reheat project Phase II of Wenergy Qianyingzi, etc. In the field of gas turbine equipment, we have successfully developed an ultra-low emission combustion system for Class F gas turbine, achieving a technical index of raising the turbine inlet temperature by 20°C and reducing NOx emissions below 15 ppm, and reaching the international advanced level. we won bids for a number of F-class gas turbine projects, such as Wenergy Peak Modulation Power Plant, Huaihe Energy project, Jiangyin Thermal Power, Wuxi West Area Phase II, Zhejiang Energy Zhenhai and Huaneng Nanshan. As at the end of the Reporting Period, we had signed long-term service contracts for 38 units of gas turbines in 19 projects.

In the field of elevator equipment, Shanghai Mitsubishi Elevator Co., Ltd. ("SMEC"), a subsidiary of the Company, signed the project of the 10m/s ultra-high speed LEHY-H elevators for Changsha Xinchu - Jingtian Plaza (長沙新楚 敬天廣場), symbolizing the official operation of SMEC's self-developed highest speed elevator products for commercial use. During the Reporting Period, SMEC successively won the bids for several major projects such as Line 7, Line 8 and second dispatch center project of the Zhengzhou Rail Transit, as well as the renovation and expansion projects of Urumqi Airport, Zhuhai Airport and Lanzhou Zhongchuan International Airport. SMEC actively expand to develop service business, and the proportion of revenue from services business such as elevator installation, renovation and maintenance to the revenue of elevator business of SMEC has been continuously increased.

For our business in industrial basic parts such as blades, bearings, fasteners and tools, we focused on the vision of "becoming a world-leading provider of solutions on industrial basic parts and the major force in replacement of imported medium- and high-end basic parts in China", continued to promote business integration and industrial synergy and has developed "professional, refined, featured and innovative" business clusters with high quality.

In the field of aviation assembly and manufacturing lines, we have relied on our extreme manufacturing capabilities and integrated equipment strength to provide safe and controllable intelligent solutions for high-end manufacturing customers such as aircraft manufacturer and aviation engine manufacturer. During the Reporting Period, the Airbus A320 series aircraft Asian final assembly line upgrade and transformation project we undertook successfully completed delivery, and has been put into operation for the first A321 aircraft; the world's first domestic large aircraft C919, which we participated in the assembly line manufacturing, was successfully delivered to China Eastern Airlines, effectively ensuring the process quality and construction accuracy during the manufacturing process of domestic large aircraft.

4. Deepen the integration of digitalisation and manufacturing, and promote the extended development of industrial chain

We adhere to the philosophy of open innovation and win-win cooperation, strive to promote the two-wheel drivers of "industrial intelligentization and service industrialization" and the interaction of "energy internet and industrial internet", and build a variety of industrial applications and solutions in the fields of smart energy, smart manufacturing, and smart infrastructure.

We create tailor-made digital solutions for users based on our experience in the energy, manufacturing and digital fields. During the Reporting Period, we won the bid for the project of digital service platform of photovoltaic integrated operation and management of Pingzhuang Coal Group to help users achieve centralised monitoring, comprehensive data analysis and unified operation and maintenance management. We won the bid for the "Carbon Neutrality" digitalisation project of State Grid Jibei Electric Power Company Limited to provide digitalized upgrade services for the zero-carbon transformation of power supplies warehouses in the relevant regional power supply bureaus. Shanghai Electric Central Research Institute was involved in the overall planning of comprehensive energy for Shanghai State-owned Digital Innovation Base - "Digital Sea (數字江海)" in Fengxian District, Shanghai, building the overall energy structure for "Digital Sea", including core functions such as the energy-carbon dual control digital platform, virtual power plants, intelligent micro-grid clusters, liquid flow batteries, PEDF (photovoltaic, energy storage, direct current and flexibility) buildings, as well as various intelligent applications.

We provide professional, standardised, technologically advanced, accurate and efficient products and services to help the construction of urban digital intelligence. During the Reporting Period, we won the bid for the automated communication and maintenance project of Shanghai Pudong New District Public Security system, achieving a breakthrough in the digital field of serving the urban governance. Shanghai Lingang middle-volume Line 2 (Line T2), for which we provided the intelligent digital rail transit system (iDRT), has been officially put into operation. We provided core system equipment and integrated solutions for this line, including digital rail, operation control and management, integrated communications and platform intelligence. In addition, we have won the bid for the integrated operation and maintenance project of station electromechanical facilities and equipment for Shanghai Metro Line 5, making a breakthrough in the field of integrated operation and maintenance of station electromechanical equipment.

By the end of the Reporting Period, the "SEunicloud" industrial internet platform of Shanghai Electric had accessed more than 230,000 units of equipment with a total value of more than RMB154 billion, including wind turbines, elevators and machine tools, providing digital solutions for various fields such as wind farms, energy storage and photovoltaics. SMEC launched LNK smart elevator digital solution, an industry-leading digital solution for "elevator management" that will provide customers with more intelligent operation and maintenance management services.

5. Promote management improvement and lay a solid foundation for high-quality development

In 2022, we listed management improvement as an important work goal of the Group, formed a series of management optimization measures related to industry capacity improvement, organizational flattening, operation quality improvement, overall coordination efficiency improvement and other aspects, and provided guarantee for the solid implementation of the "14th Five-Year Plan" strategic plan of the Group.

During the Reporting Period, the management reform work throughout the Group was implemented smoothly and orderly. We focused on the optimization of quality of economic operation, paid special attention to key quality indicators, improved the risk prevention and control system, and improved the overall governance efficiency of the Group. We strengthened internal coordination, established a procurement platform for bulk raw material, optimized the supply chain management system, and further improved our cost control and procurement pricing capabilities. We established the director-in-charge mechanism for key energy customers, integrated the comprehensive advantages of Shanghai Electric in the whole industrial chain, and laid a solid foundation for the extensive development of services for key customers in all business areas. We continued to promote the optimization of business structure through measures including internal potential tapping, promoting the revitalization of inefficient assets, accelerating the turnover of operational assets, and withdrawing from the operational assets of non-core projects.

BUSINESS REVIEW OF MAJOR BUSINESS SEGMENTS

During the Reporting Period, the Company achieved the revenue of RMB117,623 million, representing a year-on-year decrease of 9.7%. The net losses attributable to owners of the Company for 2022 was RMB3,566 million, and net losses attributable to owners of the Company for the corresponding period of last year was RMB9,988 million.

The basic loss per share of the Company for 2022 was RMB0.23 yuan, basic loss per share for the corresponding period of last year was RMB0.64 yuan. The average return on net assets was a loss of 6.31% and last year was a loss of 15.69%. The Board of the Company proposed no final dividend for the year 2022.

During the Reporting Period, the energy equipment segment achieved revenue of RMB56,093 million, representing a year-on-year decrease of 4.52%. The revenue from energy storage business increased over the corresponding period of last year as affected by the continued growth of demand for equipment in the new energy industries, while the revenue from wind power equipment business decreased compared with the corresponding period of last year, which was caused by the peak of wind power installation last year as affected by industry policies. During the Reporting Period, the gross profit ratio of the energy equipment segment reached 18.05%, slight increased over the corresponding period of last year.

The industrial equipment segment achieved revenue of RMB40,533 million, representing a year-on-year decrease of 4.04%, which was mainly attributable to the year-on-year decrease in revenue from elevator business. During the Reporting Period, gross profit ratio of the industrial equipment segment was 15.58%, representing a year-on-year decrease of 0.78 percentage point.

The integrated services segment achieved revenue of RMB26,708 million, representing a decrease of 31.16% as compared with the corresponding period of last year, which was mainly due to the decrease of revenue from engineering services. The gross profit ratio of the integrated services segment was 8.36%, representing an increase of 2.33 percentage points as compared with the corresponding period of last year, which was mainly caused by the changes in the structure of engineering projects.

Unit: 100 million Currency: RMB

Principal businesses by segment						
By segment	Revenue	Operating costs	Gross profit margin (%)	YoY change in revenue (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)
Energy equipment	560.93	459.71	18.05	(4.52)	(4.74)	An increase of 0.18 percentage point
Industrial equipment	405.33	342.16	15.58	(4.04)	(3.15)	A decrease of 0.78 percentage point
Integrated services	267.08	244.74	8.36	(31.16)	(32.87)	An increase of 2.33 percentage points
Principal businesses by geographic location						
Geographic location	Revenue	Operating costs	Gross profit margin (%)	YoY change in revenue (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)
Mainland China	992.04	802.88	19.07	(6.82)	(6.28)	A decrease of 0.46 percentage point
Other countries/jurisdiction	184.19	182.09	1.14	(22.61)	(26.90)	An increase of 5.79 percentage points

SOURCE OF FUNDING AND INDEBTEDNESS

As at 31 December 2022 the Group had an aggregate amount of bank and other borrowings and bonds of RMB39,056 million (2021: RMB44,686 million), representing a decrease of RMB5,630 million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB16,660 million, representing a decrease of RMB1,690 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB22,396 million, representing a decrease of RMB3,939 million as compared with that of the beginning of the year. As at 31 December 2022, among the Group's bank and other borrowings:

(1) unsecured bank borrowings

borrowings denominated in US dollars amounted to USD368,000 thousand in total (2021: USD295,600 thousand), equivalent to RMB2,562,973 thousand (2021: RMB1,884,659 thousand), borrowings denominated in Euros amounted to EUR431,090 thousand in total (2021: EUR546,064 thousand), equivalent to RMB3,199,941 thousand (2021: RMB3,942,417 thousand), and borrowings denominated in Hong Kong dollars amounted to HKD525,018 thousand in total (2021: HKD548,501 thousand), equivalent to RMB468,983 thousand (2021: RMB448,454 thousand).

(2) secured bank borrowings

borrowings denominated in US dollars amounted to USD4,502 thousand in total (2021: USD4,502 thousand), equivalent to RMB31,355 thousand (2021: RMB28,703 thousand), and borrowings denominated in Euros amounted to EUR5,180 thousand in total (2021: EUR5,703 thousand), equivalent to RMB38,451 thousand (2021: RMB41,171 thousand).

(3) guaranteed bank borrowings

borrowings denominated in US dollars amounted to USD142,961 thousand in total (2021: USD167,835 thousand), equivalent to RMB995,667 thousand (2021: RMB1,070,064 thousand), and borrowings denominated in Euros amounted to EUR97,500 thousand in total (2021: EUR8,000 thousand), equivalent to RMB723,723 thousand (2021: RMB57,758 thousand).

(4) All other unsecured bank borrowings are denominated in RMB.

As at 31 December 2022, gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank borrowings and other borrowings and bonds to the sum of total equity of the shareholders plus interest-bearing bank borrowings and other borrowings and bonds, was 33.08%, representing a decrease of 1.29 percentage points as compared with 34.37% at the beginning of the year.

PLEDGE OF ASSETS

As at 31 December 2022, the Group's bank deposits amounted to RMB 927 million (2021: RMB1,402 million), receivable financing with a carrying amount of RMB583 million (2021: RMB123 million), notes receivable with a carrying amount of RMB155 million (2021: RM370 million) and certain property and equipment with a carrying amount of RMB1,975 million (2021: RMB2,095 million) were secured to banks to obtain bank borrowings or credit facilities. Part of the Group's bank borrowings was secured by the Group's long-term receivables, with a carrying amount of RMB1,801 million (2021: RMB2,221 million).

USE OF PROCEEDS FROM FINANCING ACTIVITIES AND CAPITAL UTILIZATION PLAN

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors including SEGC (the controlling shareholder of the Company) by way of non-public issuance. Proceeds from the non-public issuance were originally intended to be used to finance the projects including the Emerging Industrial Park Development Project at Gonghe New Road, the Innovative Industry Park Reformation Project at Beinei Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. According to the requirements such as adjustments by government authorities to the planning of the relevant areas where the proceeds-funded projects are located, in light of the Company's business development and the change in market conditions and on the principles of satisfying the requirements for use of raised proceeds and reducing the risks associated with the implementation of proceeds-funded projects, as considered and approved at the second meeting of the fifth session of the Board and approved at the 2018 third extraordinary general meeting, 2018 first A share class meeting and 2018 first H share class meeting, the proceeds would not be used to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. After consideration and approval of the fourth meeting of the fifth session of the board and the approval of the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting, the Company applied part of the proceeds towards the completed acquisitions of the 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) and the 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司). After consideration and approval of the twentieth meeting of the fifth session of the board and the approval of the 2019 second extraordinary general meeting, 2019 second A share class meeting and 2019 second H share class meeting, the Company adjusted the amount of raised funds used in the

Innovative Industry Park Reformation Project at Beinei Road and used part of the raised funds in the project of Shanghai Electric Nantong Central Research Institute, and the remaining raised funds were used in permanent replenishment of working capital.

FUTURE DEVELOPMENT AND OUTLOOK OF THE COMPANY

The year of 2023 represents the first year for the Group to fully implement the spirit of the 20th National Congress of the Communist Party of China. We will closely focus on the general working tone of "pursuing progress while ensuring stability, adhering to integrity and innovation and unswervingly following the path of high-quality development", seize the opportunities of high-end, intelligence and green strategies, focus on the main responsibility and main businesses, maintain firm strategic concentration, gather development consensus, promote transformation and upgrading, lead the high-quality development of the Company with Chinese modernization, and make great efforts to open up a new situation for the fully realisation of the strategic objectives of the "14th Five-Year Plan" of Shanghai Electric.

SIGNIFICANT EVENTS

Disposal of Material Assets and Equity Interests

On 20 June 2022, the Board considered and approved the relevant proposal, agreeing to transfer 132,458,814 shares of Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司) ("**Thvow Technology**") held by the Company to SEGC by way of a non-public agreement for a price of RMB4.26 per share at a total consideration of RMB564,274,547.64. On 20 June 2022, the Company entered into the Share Transfer Agreement with SEGC with conditions to be effective regarding the transaction. On 22 July 2022, the general meeting of the Company approved the aforesaid proposal. As at the end of the Reporting Period, the transaction has been implemented and completed.

Administrative Penalties

On 5 July 2021, the Company received an investigation notice (No.: Hu Zheng Diao Cha Zi No. 2021-1-028) from the China Securities Regulatory Commission (the "**CSRC**"). As the Company was suspected to have breached the relevant laws and regulations on information disclosure, the CSRC decided to initiate investigation proceedings against the Company in accordance with the Securities Law of the People's Republic of China. In December 2022, the Company received the "Decision of Administrative Penalties" (Hu [2022] No. 29, Hu [2022] No. 31) (《行政處罰決定書》(滬[2022]29號、滬[2022]31號)) from the China Securities Regulatory Commission Shanghai Bureau (the "**Bureau**"). Regarding to the failure of Shanghai Electric to disclose relevant significant events in a timely manner, pursuant to the Article 197(1) of the Securities Law of the People's Republic of China (hereinafter referred to as "**Securities Law**"), the Bureau decided to issue a warning and impose a fine of RMB 2 million to the Company; regarding to the misrepresentation in the 2020 Annual Report of Shanghai Electric, pursuant to the Article 197 (2) of the Securities Law, the Bureau decided to order to correct, issue a warning and impose a fine of RMB 3 million to the Company. Regarding the misrepresentation in 2020 annual report of Shanghai Electric, in accordance with the provision of Article 197 (2) of the Securities Law, the Bureau decided to issue a warning and impose a fine of RMB 0.5 million to CHEN Ganjin, the vice president of the Company.

In January 2023, the Company received the "Decision on Disciplinary Action against Shanghai Electric Group Company Limited and Relevant Responsible Persons" ([2023] No. 3) issued by the Shanghai Stock Exchange, which publicly condemned the Company and CHEN Ganjin, the vice president of the Company, and required the Company and its directors, supervisors, and senior management to take effective measures to rectify relevant violations and submit a rectification report to the Shanghai Stock

Exchange. As of the date of this announcement, the Company has completed rectification and submitted the rectification report.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Disposal of 100% Equity Interest in Xinji Company

On 14 March 2023, the Board considered and approved the relevant resolution, pursuant to which, the Company was granted approval to transfer the 100% equity interest it held in Shanghai Xinji Machine Tool Co., Ltd. (“**Xinji Company**”) to SEGC, at a consideration of the appraisal value of the total shareholders’ equity in Xinji Company of RMB686,915,804.11, which is subject to the final equity valuation result filed with state-owned assets authorities.

Proposed Acquisition of Partial Equity Interests in Subsidiaries

On 29 March 2023, the Board considered and approved the relevant resolution, pursuant to which, the Company proposed to enter into the Agreements on Equity Transfer with ICBC Financial Assets Investment Co., Ltd., BOCOM Financial Asset Investment Company Limited and BOC Financial Asset Investment Co., Ltd. to acquire the 48.18% equity interests in Shanghai Electric Industrial Investment Co., Ltd., 39.42% equity interests in Shanghai Electric Group Shanghai Machinery Co., Ltd., 48.88% equity interests in Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd., and 42.20% equity interests in Shanghai Electric Nuclear Power Equipment Corporation Ltd. The total Equity Transfer price is RMB 10.004 billion.

CORPORATE GOVERNANCE

During the Reporting Period, the Board performed the following functions: to formulate and review the Company’s policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the ethics and compliance of employees and Directors; and to review the Company’s compliance with the code provisions and disclosure in the “Corporate Governance Report”.

During the Reporting Period, the Board is of the view that the Company has complied with the requirements of the code contained in Appendix 14 of the Hong Kong Listing Rules (the “**Code**”), except for the deviation from requirement of C.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision C.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the Reporting Period, the chairman of the Board and chief executive officer of the Company were assumed by one person, who was mainly responsible for the strategic decisions of the Company. The executive director and president of the Company were assumed by another person, who was fully responsible for the daily operation and execution of the Company. The Company considers that the roles and responsibilities of the Board and the management are clear and there is no concentration of management power.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code provisions regarding the purchase and sale of the Company’s shares by the Directors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 of the Hong Kong Listing Rules. All Directors

and Supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code throughout the year 2022. The Company was not aware of any non-compliance with the Model Code by any of its employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 17 January 2022, the resolution in relation to the termination of implementation of the Restricted A Share Incentive Scheme of the Company and the repurchase and cancellation of the Restricted Shares granted but not yet unlocked was considered and approved at the 2022 first extraordinary general meeting, the 2022 first A share class meeting and the 2022 first H Share Class Meeting of the Company. The Company terminated the Restricted A Share Incentive Scheme and repurchased and cancelled a total of 126,162,000 restricted shares granted but not yet unlocked held by 2,099 participants. The Company completed the procedures for the repurchase and cancellation of the above restricted shares at Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 17 March 2022.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company.

CHANGES IN ACCOUNTING POLICIES

For details, please refer to the Company's announcement on changes in accounting policies published on 29 March 2023.

FINAL DIVIDEND

The Board of the Company proposed no final dividend for the year 2022, which is subject to approval at the forthcoming annual general meeting of the Company.

DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

This results announcement will be published on the Company's website (<http://www.shanghai-electric.com>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>). The 2022 Annual Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

By order of the Board

Shanghai Electric Group Company Limited

LENG Weiqing

Chairlady of the Board

Shanghai, the PRC, 29 March 2023

As at the date of this announcement, the executive directors of the Company are Ms. LENG Weiqing,

Mr. LIU Ping and Mr. ZHU Zhaokai; the non-executive directors of the Company are 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*