THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Shandong Hi-Speed New Energy Group Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

山高新能源集團有限公司
SHANDONG HI-SPEED NEW ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE CAPITAL INCREASE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 25 of this circular.

A notice convening the EGM to be held at 38th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 30 November 2023 at 9:30 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof should you so desire, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

15 November 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"associates"	has the same meaning ascribed thereto under the Listing Rules
"Beiqing Smart"	天津北清電力智慧能源有限公司 (Tianjin Beiqing Smart Energy Company Limited*), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Day(s)"	a day other than statutory holidays and weekends in the PRC
"Capital Increase"	the making of cash contribution of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) to the Target Company, of which RMB3,441,580,300 and RMB1,558,419,700 are to increase its registered capital and capital reserve respectively by the Investor pursuant to the Capital Increase Agreement
"Capital Increase Agreement"	the Capital Increase Agreement dated 24 October 2023 and entered into among Beiqing Smart, SDHS Group, the Company, the Investor and the Target Company in relation to the Capital Increase
"Company"	Shandong Hi-Speed New Energy Group Limited, a company incorporated in Cayman Islands with limited liability and Shares of which are listed on the Stock Exchange (stock code: 1250)
"Completion"	completion of the Capital Increase (i.e. First Completion and Second Completion having taken place) in accordance with the terms and conditions under Capital Increase Agreement
"Conditions Precedent"	the conditions precedent to the Completion under the Capital Increase Agreement
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules

"Consideration"	the cash contribution of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) to be injected by the Investor pursuant to the Capital Increase Agreement to the Target Company, of which RMB3,441,580,300 and RMB1,558,419,700 are to increase its registered capital and capital reserve respectively
"Director(s)"	director(s) of the Company
"Disposal"	the deemed disposal of interest in the Target Company under Rule 14.29 of the Listing Rules by the Company as the equity interest of the Company in the Target Company will be reduced from 100% to approximately 55.54% upon Completion
"EGM"	the extraordinary general meeting to be convened and held at 38th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong, on Thursday, 30 November 2023 at 9:30 a.m. to consider and, if thought fit, approve, among other matters, the Capital Increase Agreement and the transactions contemplated thereunder
"Equity Interest"	approximately 44.46% of the equity interest in the Target Company to be held by the Investor upon Completion
"Expected Dividend Distribution"	the amount equivalent to the Investor's Capital Increase balance multiplied by Expected Dividend Rate divided by 365 (or 366 in a leap year) multiplied by number of days in the relevant period of the Investor being a shareholder of the Target Company
"Expected Dividend Rate"	the expected rate of 5.6% (subject to adjustment by the Potential Dividend Increase (as defined in the letter from the Board in this circular)) per annum but the actual rate as approved under the shareholders' meeting of the Target Company shall prevail. Such rate was determined after arm's length negotiation between the parties to the Capital Increase Agreement with reference to (i) market transactions of similar types; (ii) current domestic financing costs; (iii) funding sources of the Investor; (iv) matching of the Investor's investment term; and (v) in the event of the Potential Dividend Increase (as defined in the letter from the Board in this circular), the rate of increase in similar transactions in the market

"First Completion"	has the meaning as set out in the sub-paragraph headed "– Completion – First Completion" under the section headed "THE CAPITAL INCREASE AGREEMENT" in the letter from the Board in this circular
"Grace Period"	the earlier of (i) within 30 business days after the Target Company's audited financial report demonstrates that it is unable to meet the Performance Commitment; and (ii) within 30 business days after the Target Company fails to meet the Expected Dividend Distribution
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of any member of the Group, the Directors, the chief executives, the controlling shareholders, the substantial shareholders of the Company or its subsidiaries, and its associates
"Investor"	寧波梅山保稅港區創澤股權投資合夥企業(有限合夥)(Ningbo Meishan Bonded Port Zone Chuangze Equity Investment Partnership (Limited Partnership)*), an insurance private fund initiated and managed by Ping An Trendwin in accordance with《中國保監會關於設立保險私募基金有關事項的通知》(保監發[2015]89號)(the "Notice of the China Insurance Regulatory Commission on Matters Concerning the Establishment of Insurance Private Funds (Baojianfa [2015] No. 89)")
"Latest Practicable Date"	13 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	60 days after the date of the Capital Increase Agreement, or any other later date as may be agreed in writing by the parties to the Capital Increase Agreement
"Option"	the rights under the Capital Increase Agreement granted to the Company and Beiqing Smart upon Completion to purchase the Equity Interest from the Investor pursuant to and subject to the terms and conditions of the Capital Increase Agreement upon the occurrence of any of the Specific Events

"Performance Commitment"	Beiqing Smart shall ensure that the Target Company achieves a minimum distributable profit of RMB300 million for each financial year during the period of the Investor being a shareholder of the Target Company, where the audited consolidated financial statement of the Target Company's attributable net profit, after adjusting for past years' losses (if any) and deducting statutory and any other reserves (if any) based on relevant laws and regulations, shall be used as the determining basis
"Ping An Group"	Ping An Insurance (Group) Company of China, Ltd(中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
"PRC"	the People's Republic of China
"RMB"	Renminbi, the legal currency of the PRC
"SDHG"	Shandong Hi-Speed Holdings Group Limited(山高控股集團有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 412), and the controlling shareholder of the Company
"SDHS Group"	山東高速集團有限公司 (Shandong Hi-Speed Group Co. Ltd.), a company established in the PRC with limited liability and an indirect controlling shareholder of the Company
"SDHS Parties"	the Target Company, Beiqing Smart, the Company and SDHS Group
"Second Completion"	has the meaning as set out in the sub-paragraph headed "– Completion – Second Completion" under the section headed "THE CAPITAL INCREASE AGREEMENT" in the letter from the Board in this circular
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the registered holder(s) of ordinary share(s) of the Company
"SHNE Parties"	the Target Company, Beiqing Smart and the Company
"Specific Event(s)"	the specific event(s) as set out in the Capital Increase Agreement, which the Company, Beiqing Smart or their designated third party shall at its discretion exercise the Option upon the occurrence of any such specific event

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
"Target Group"	the Target Company and its subsidiaries after the completion of the Restructuring (as defined in the letter from the Board in this circular)
"Valuation"	the appraisal of value of all equity interest in the Target Group as at 30 June 2023 (assuming the Restructuring has been completed) conducted by the Valuer
"Valuation Report"	the report by the Valuer in relation to the Valuation dated 7 September 2023, a summary of which is set out in Appendix IV to this circular
"Valuer"	China Faith Appraisers Co., Ltd.(北京國友大正資產評估有限公司), the independent PRC valuer which conducted the Valuation
"%"	per cent

For the purpose of this circular, the exchange rate of RMB1.00 = HK$1.09 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK$ or RMB has been, could have been or may be converted at such a rate.

* *for identification purpose only*

山高新能源集團有限公司
SHANDONG HI-SPEED NEW ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

Executive Directors:
Mr. Wang Xiaodong *(Chairman)*
Mr. Zhu Jianbiao
Mr. Wang Wenbo
Mr. Sun Qingwei
Ms. Liao Jianrong
Mr. Li Li
Mr. He Yongbing
Mr. Wang Meng

Independent Non-executive Directors:
Professor Qin Si Zhao
Mr. Victor Huang
Mr. Yang Xiangliang
Mr. Chiu Kung Chik

Registered office in the Cayman Islands:
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
38th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

15 November 2023

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE CAPITAL INCREASE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 24 October 2023 in relation to, among others, the proposed Capital Increase. The purpose of this circular is to provide you with (i) details of the Capital Increase; (ii) a notice of the EGM; and (iii) further information required to be disclosed under the Listing Rules.

THE CAPITAL INCREASE AGREEMENT

On 24 October 2023, Beiqing Smart, SDHS Group, the Company, the Investor and the Target Company, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, the Investor has conditionally agreed to make cash contribution of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) to the Target Company, of which RMB3,441,580,300 and RMB1,558,419,700 are to increase its registered capital and capital reserve respectively.

Upon Completion, the Target Company will be held as to approximately 55.54% by Beiqing Smart and approximately 44.46% by the Investor. The Target Company will continue to be accounted as a subsidiary of the Company.

The principal terms of the Capital Increase Agreement, among others, are set out below.

Date: 24 October 2023 (after trading hours)

Parties:

(i) Beiqing Smart;

(ii) SDHS Group;

(iii) the Company;

(iv) the Investor; and

(v) the Target Company.

Subject matter

Pursuant to the Capital Increase Agreement, the Investor has conditionally agreed to make cash contribution of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) to the Target Company, of which RMB3,441,580,300 and RMB1,558,419,700 are to increase its registered capital and capital reserve respectively.

Consideration

The Consideration for the Capital Increase is RMB5,000,000,000.

The Consideration shall be payable by the Investor in the following manner:

(i) Upon the fulfilment of all the Conditions Precedent, the first installment of RMB4,000,000,000 (the "**First Installment**") shall be payable in cash by the Investor to the Target Company on or before the date set out in the payment notice to be issued by the Target Company (the "**First Installment Payment Deadline**"), which shall be at least five business days after the receipt of the said notice by the Investor but no later than 31 December 2023; and

(ii) the second installment of RMB1,000,000,000 (the "**Second Installment**", being the remaining amount of the Consideration) shall be payable in cash by the Investor to the Target Company within 60 business days (the "**Second Installment Payment Deadline**") after the date of the payment of the First Installment made by the Investor.

Basis of the consideration

The Consideration was determined after arm's length negotiation between the parties to the Capital Increase Agreement with reference to the appraised value of approximately RMB6,247,130,100 (equivalent to approximately HK$6,809,371,809) of all equity interest in the Target Group (assuming the Restructuring (as hereinafter defined) has been completed) as at 30 June 2023 pursuant to the Valuation by the Valuer.

Conditions Precedent

The Completion will be subject to the fulfilment, on or before the Long Stop Date, of the following Conditions Precedent, among others, under the Capital Increase Agreement:

(1) The Investor having completed the due diligence (including financial, accounting, tax, legal, market, and environmental aspects) on the Target Company and being satisfied with (i) the results of the due diligence; or (ii) the Target Company having made arrangements or taken actions satisfactory to the Investor to address the issues discovered during the said due diligence process;

(2) The Target Company having completed, in accordance with the requirements of the Investor, the asset restructuring of maintaining only 61 subsidiaries specified in the Capital Increase Agreement (the "**Restructuring**"), the relevant transfers and necessary legal procedures, internal and external approvals, authorisations, registrations, etc. of which also having been completed;

(3) All necessary internal and external approvals and authorisations for the Capital Increase having been obtained by the Investor;

(4) All necessary internal and external approvals and authorisations for the Capital Increase having been completed and obtained by the SDHS Parties, and such approvals and authorisations not being revoked or canceled prior to the Completion;

(5) The Shareholders having approved the Capital Increase, the Capital Increase Agreement and the transactions contemplated thereunder at the EGM;

(6) All evaluations, audits, registrations, filings, approvals, or authorisations related to the transaction of state-owned assets in accordance with laws, regulations, normative documents, articles of association, relevant provisions and as required by competent authorities or departments having been fulfilled by the SDHS Parties;

(7) A legally qualified valuer recognised by the Investor having been selected to complete the asset appraisal of the Target Company, and the result of which having been filed with the competent state-owned assets authority (if applicable);

(8) A valid written resolution having been passed by the member of the Target Company in accordance with the Target Company's articles of association, regarding Beiqing Smart having approved the Capital Increase and waived the pre-emptive right to subscribe for the Equity Interest, and the SDHS Parties having agreed to disclose the relevant information in a timely and accurate manner in accordance with laws, regulations, and normative documents (if required);

(9) The transaction documents of the Capital Increase having been signed by all parties and become effective with specified number of original copies passed to the Investor and no event of breach thereunder has occurred since the signing date of such documents, or if an event of breach thereunder has occurred, it has been resolved or waived to the satisfaction of the Investor;

(10) Beiqing Smart having reached a written agreement with the Investor regarding the amendments to the Target Company's articles of association concerning the Capital Increase, reflecting and in compliance with the provisions of the Capital Increase Agreement;

(11) As of the dates of the Investor's payment of the Consideration under the Capital Increase Agreement, the representations, warranties and undertakings made by the SDHS Parties under the Capital Increase Agreement being true, complete, accurate and not misleading;

(12) As of the dates of the Investor's payment of the Consideration under the Capital Increase Agreement, there being no material adverse changes in the financial, business operation and asset conditions of the Target Company since the signing of the Capital Increase Agreement; and

(13) The SDHS Parties having provided the Investor with a "Confirmation of Fulfillment of Conditions Precedent Letter" in a specified form, to confirm that the above Conditions Precedent (2) and (4) to (12) have been satisfied.

All Conditions Precedent are not waivable. In the event that the Conditions Precedent are not fulfilled on or before the Long Stop Date, the Investor shall be entitled to (i) unilaterally extend the Long Stop Date, the First Installment Payment Deadline and the Second Installment Payment Deadline; or (ii) unilaterally terminate the Capital Increase Agreement. As at the Latest Practicable Date, save for Conditions Precedent (1), (3), (6), (7) and (8) which have been fulfilled, other Conditions Precedent have not yet been satisfied.

Completion

First Completion

First Completion shall be deemed to have taken place on a date which (i) the Examination of Concentrations of Undertakings（經營者集中申報審查）by the State Administration for Market Regulation（國家市場監督管理總局）has been passed; and (ii) the First Installment has been fully paid by the Investor (the "**First Completion Date**"). The voting rights of the Investor and Beiqing Smart as shareholders in the Target Company upon First Completion should be based on the percentages of their respective actual paid-up capital in the Target Company.

Second Completion

Second Completion shall take place on the date which the Second Installment has been fully paid by the Investor, and the voting rights of the Investor and Beiqing Smart as shareholders in the Target Company upon Second Completion should be based on the percentages of their respective subscribed registered capital in the Target Company.

Immediately after Completion, the Target Company will maintain as a subsidiary of the Company and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

The following table illustrates the changes in the registered capital and the shareholding structure of the Target Company as at the Latest Practicable Date and immediately following the Completion.

Shareholders of the Target Company	As at the Latest Practicable Date Subscribed registered capital *(RMB)*	*Approx. %*	Immediately following the Completion Subscribed registered capital *(RMB)*	*Approx. %*
Beiqing Smart	4,300,000,000	100	4,300,000,000	55.54
The Investor	–	–	3,441,580,300	44.46
Total:	**4,300,000,000**	**100**	**7,741,580,300**	**100**

The Option

Pursuant to the Capital Increase Agreement, the Company, Beiqing Smart or their designated third party (the "**Option Holder**") shall be entitled to the Option at its discretion to exercise the right to acquire the Equity Interest from the Investor pursuant to the terms of the Capital Increase Agreement upon the occurrence of any of the Specific Events, subject to compliance with applicable requirements under the Listing Rules. Specific Events include the following events:

(i) The Performance Commitment are not met and neither the Company, Beiqing Smart nor the Target Company is able to resolve this specific event by taking the mitigating measures agreed by the parties within the Grace Period or obtain written waiver from the Investor;

(ii) for reasons not attributable to the Investor, the Target Company fails to meet the Expected Dividend Distribution as stipulated under the Capital Increase Agreement, and neither the Company, Beiqing Smart nor the Target Company is able to resolve this specific event by taking the mitigating measures agreed by the parties within the Grace Period or obtain written waiver from the Investor;

(iii) the SHNE Parties fail to complete a substitution of any investment project of the Target Group involving significant violation of laws and regulations or other non-compliance events leading to failure to be included in the national subsidies catalogue, reduction, suspension or refund of subsidies, or removal from the register of subsidies within the deadline as specified by the Investor as required under the Capital Increase Agreement;

(iv) in the event that the audited net assets attributable to all the shareholders of the Target Company of any financial year are lower than the sum of the net assets of the Target Company as at the benchmark date of the Valuation (i.e. 30 June 2023) and the Consideration, the Investor has the right to notify the SHNE Parties in writing to request them, within 90 business days from the date of receiving such written notice, to engage a qualified asset valuer to appraise the value of the Target Company and provide an appraisal report, and under such circumstances, such appraised value of the Target Company is lower than the sum of the appraised value of the Target Company prior to the Completion and the Consideration and no waiver has been obtained from the Investor; and

(v) the expiry of investment period ("**Investment Period**"), where "Investment Period" means the earlier of:

(a) 60 months after the date of the payment of the First Installment ("**Initial Investment Period**");

(b) in the event that the Specific Events set out in paragraphs (i) to (iv) and (v)(c) under this section headed "The Option" do not occur upon the expiry of the Initial Investment Period, Beiqing Smart and the Investor can, before six months prior to the expiry of the Initial Investment Period, by agreement in writing extend the Investment Period to 120 months after the date of the payment of the First Installment ("**Extended Investment Period**"), provided that no Specific Event as set out in paragraphs (i) to (iv) and (v)(c) under this section headed "The Option" occurs during the six months prior to the expiry of the Initial Investment Period; and

(c) any other dates as may be agreed by the parties in writing.

Nil premium is payable by the Option Holder for the grant of the Option in accordance with the Capital Increase Agreement.

The Option Holder may at discretion choose to exercise the Option, (1) (in the case of Specific Event (v)) 60 business days prior to the occurrence of such Specific Event, or any other later date as maybe agreed by the parties; and (2) (in the case of Specific Events (i) to (iv)) 60 business days after the occurrence of any of such Specific Events or any other later date as maybe agreed by the parties, and the price for the purchase of the Equity Interest shall be calculated in accordance with the formulae below:

(i) in the event of the occurrence the Specific Events (i), (ii) (but save for the circumstances set out in subparagraph (ii) below), (iii), (iv), (v)(a), (v)(b) and (v)(c) (but save for the circumstance set out in subparagraph (iii) below), the calculation of purchase price of the Equity Interest shall be:

$Z = A + [(B - C)/0.75]$

"**Z**" means the purchase price of the Equity Interest under this scenario

"**A**" means the total amount of actual paid-up capital paid by the Investor

"**B**" means the aggregate annual Expected Dividend Distribution entitled by the Investor during the Investment Period

"**C**" means the total amount of profit distributions of the Target Company received by the Investor during the Investment Period

Notes:

(a) If above purchase price is negative, it will be treated as zero.

(b) The value of 0.75 in the above formula represents 1 minus the corporate income tax rate of 25%, subject to adjustment if there are subsequent changes in the corporate income tax rate according to applicable laws and regulations.

(ii) in the event that the Option Holder exercises the Option (a) before the expiry of the Initial Investment Period or, if the Investment Period has been extended as the Extended Investment Period, before the expiry of the Extended Investment Period; or (b) upon occurrence of Specific Event (ii) but the Performance Commitment are met:

Purchase price of the Equity Interest = the amount equivalent to Z + (Consideration x 10% (the "**Additional 10%**"))

The Additional 10% was determined after arm's length negotiation between the parties to the Capital Increase Agreement as a compensation to the Investor for its loss of potential income from the Expected Dividend Distribution during the Investment Period as a result of early exercise of the Option by the Option Holder.

(iii) in the event that the Option Holder requests to exercise the Option before the expiry of the Initial Investment Period due to the application for the spin-off listing of the Target Company or any members of the Target Group (the "**Listing Entity**"):

The Investor is entitled to swap the relevant amount of the Equity Interest equivalent to a maximum of 20% of the Consideration with the relevant proportion of equity interest in the Listing Entity (the "**Swapped Interest**") corresponding to the valuation thereof at the material time. In addition, the Investor is entitled to request the Company or Beiqing Smart to purchase the remaining amount of the Equity Interest at the following purchase price:

Purchase price of remaining amount of Equity Interest = the amount equivalent to Z – the amount of the Swapped Interest

If the Option Holder exercises the Option, the Company will comply with the applicable Listing Rules and will make appropriate disclosure under the applicable Listing Rules when necessary.

Upon the occurrence of a Specific Event, if the Option Holder does not exercise the Option, the Investor shall have the following rights:

(i) to request Beiqing Smart to cooperate in amending the articles of association, the shareholders' agreement between the shareholders (if any) and the rules of the board of directors and members' meetings of the Target Company after fulfilling the statutory procedures and other relevant regulatory requirements, such that (a) Beiqing Smart shall act in concert with the Investor in the voting at shareholders' meetings of the Target Company for the matters set out in subparagraphs (i) to (ix) under this paragraph, which require shareholders' approvals and, for matters other than the said subparagraphs, the voting mechanism shall be modified to require the approvals of the shareholders of the Target Company representing two-thirds or more of the voting rights in the Target Company; and (b) the Investor, limited to the purpose of exiting the Equity Interest in the Target Company, holds two-thirds or more of the voting rights in the board of directors of the Target Company by adjusting the composition of the board of directors of the Target Company and the resolutions of board meetings shall be passed by more than two-thirds of the directors of the Target Company, whilst the board of directors of the Target Company shall after the said exiting by the Investor be restructured in the manner as required by the SHNE Parties;

(ii) to exercise the drag-along right to sell the Equity Interest based on the fair value valuation issued by an independent qualified valuer and Beiqing Smart shall sell all its equity interest in the Target Company at the same price and terms at the sale between the Investor and the relevant third party(ies). The SDHS Parties shall procure other shareholder(s) (if any) of the Target Company to assist the Investor in exercising the drag-along right, provided that relevant laws and regulations concerning state-owned asset transactions and the Listing Rules have been complied with;

(iii) to, after completing the statutory procedures for antitrust declaration, securities, insurance, state-owned assets, and other relevant regulatory requirements, dispose of the assets of the Target Group based on fair market value with the SDHS Parties making reasonable efforts to complete the relevant internal and external approvals, decision-makings, filings, registrations and other procedures in a timely manner;

(iv) to procure the Target Company to temporarily suspend any profit distribution to Beiqing Smart;

(v) to request to increase 3% to the Expected Dividend Rate (the "**Potential Dividend Increase**");

(vi) to request to convene a shareholders' meeting of the Target Company to pass resolution to approve whether to distribute the retained undistributed profits specified under the Capital Increase Agreement that should have been attributed to the Investor;

(vii) to procure the Target Company to temporarily suspend repayment of any loans due to its related parties (if any);

(viii) to procure the SDHS Parties and their affiliates not to pool funds within the Target Company system, and return any funds already pooled from the Target Company to the Target Company within one month from the occurrence of the Specific Event; and

(ix) to exit all the Equity Interest in the Target Company held by the Investor through a reduction in capital of the Target Company and make distribution to the Investor for such reduction in capital based on the appraised asset value of the Target Company at that time by the funds generated from the production and operation of the Target Company or realised through the disposal of assets of the Target Company, subject to applicable laws and regulations and the articles of association of the Target Company.

The Company will comply with the applicable Listing Rules, including making appropriate disclosure and obtaining shareholders' approval where necessary, when the Investor exercises its rights set out above.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AND THE USE OF PROCEEDS

The Consideration payable by the Investor for the Capital Increase is RMB5,000,000,000. It is expected that the Consideration, being the whole of the proceeds from the Capital Increase, will be used by the Group for repayment of existing external short-term interest-bearing liabilities of the Target Company, the Company and the Company's subsidiaries.

The Directors are of the opinion that the reasons and benefits for the Capital Increase are as follows:

Firstly, the Investor is an insurance private fund initiated and established by Ping An Trendwin, which is a subsidiary of Ping An Asset Management, and Ping An Asset Management is one of the first batch 保險資產管理公司 (insurance asset management companies*) approved by the 國家金融監督管理總局 (National Administration of Financial Regulation*). Since the establishment of Ping An Asset Management, it has developed rapidly, and by the end of 2022, assets managed by it have reached RMB4.37 trillion, ranking high in the industry. The Capital Increase will introduce high-quality strategic investors and optimize the corporate governance structure. By introducing high-quality strategic investors through the Capital Increase, it will help form a diversified equity structure and a market-oriented corporate governance structure, which is of great importance for further enhancing the operation and management standard of the Target Company.

Secondly, the Capital Increase can ease the cash flow pressure by reducing current liabilities, and thus further enhance the financial stability and financing capabilities of the Company.

In consideration of the foregoing factors, the Directors believe that the Capital Increase will have positive impact and benefit to future prospects of the Group. The Directors are of the view that the terms of the Capital Increase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE CAPITAL INCREASE AGREEMENT

As the Target Company will remain as a subsidiary of the Group after the Completion, no gain or loss arising from the deemed disposal will be recognised in consolidated income statement under the Hong Kong Generally Accepted Accounting Principles (the "**HKGAAP**"). Based on the existing information available to the Group, the expected gain arising from the deemed disposal to be recognised by the Group in its consolidated statement of changes in equity attributable to equity holders of the Group upon Completion are estimated at approximately RMB108,123,000 under the HKGAAP. The basis for the calculation the above expected gain arising from the deemed disposal is that the Consideration being RMB5,000,000,000 exceeds the equity attributable to the Investor's interest in the Target Group being approximately RMB4,891,877,000 (pro rata to the total amount of the cash contribution of RMB5,000,000,000 and the net asset value of the Target Group as at 30 June 2023 of approximately RMB6,026,203,000) upon Completion.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The actual financial effect on the Group arising from the partial disposal to be recorded in the Group's consolidated accounts will be recalculated based on the net asset value of the Target Company as at the date to which completion accounts are drawn up.

Earnings

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular (assuming that the Capital Increase Agreement had been completed on 1 January 2022), the unaudited pro forma consolidated profit of the Group attributable to the equity holders of the Company for the year ended 31 December 2022 would be approximately HK$269,070,000, as compared to the audited consolidated profit attributable to the equity holders of the Company of approximately HK$258,236,000 as reported in the audited financial statements of the Group for the year ended 31 December 2022.

Assets and liabilities

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular (assuming that the Capital Increase Agreement had been completed on 30 June 2023), (i) the unaudited pro forma equity attributable to equity holders of the Company would be approximately HK$14,052,813,000, as compared to approximately HK$13,934,959,000 as at 30 June 2023 as set out in the unaudited financial statements of the Group for the six months ended 30 June 2023; and (ii) the unaudited pro forma total liabilities of the Group would be approximately HK$30,455,726,000 as compared to approximately HK$35,905,726,000 as at 30 June 2023 as set out in the unaudited financial statements of the Group for the six months ended 30 June 2023.

Please refer to the unaudited pro forma financial information of the Group as set out in Appendix III to this circular for more details on the basis and assumptions of the aforesaid financial impact to the Group.

Shareholders should note that the unaudited pro forma financial information of the Group has been prepared for illustrative purpose only, the actual gain from the deemed disposal can only be determined at the date of Completion, and therefore may be different from the amount mentioned above.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 1250). The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC.

INFORMATION ON BEIQING SMART

As at the Latest Practicable Date, Beiqing Smart is a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company. It is principally engaged in the investment and development of photovoltaic power businesses and wind power businesses in the PRC.

INFORMATION ON SDHS GROUP

As at the Latest Practicable Date, SDHS Group is (i) directly and indirectly held as to 90% by the Shandong Provincial State-owned Assets Supervision and Administration Commission; and (ii) directly held as to 10% by 山東省財欣資產運營有限公司 (Shandong Caixin Asset Operation Co., Ltd.*), a governmental institution set up by the 山東省人民政府 (Shandong Provincial People's Government*). SDHS Group is an investment holding company in the infrastructure sector in Shandong Province with total assets of more than RMB1.3 trillion. It operates and manages over 8,000 kilometres of expressways and has invested in six publicly listed companies, the shares of which are listed on the stock exchanges in Hong Kong, Shanghai and Shenzhen. It has been awarded domestic AAA-level and international A-level credit ratings. It has also been ranked as one of the "Top 500 Chinese Enterprises" for 15 consecutive years and it was on the "Fortune 500" both in 2022 and 2023.

INFORMATION ON THE INVESTOR

To the best knowledge, information and belief of the Directors and, after having made all reasonable enquiries, the Investor is an insurance private fund initiated and established by 平安創贏資本管理有限公司 (Ping An Trendwin Capital Management Co., Ltd.*) ("**Ping An Trendwin**"), and is principally engaged in equity investment and related consultancy services. It is held as to 99.993% and 0.007% by 中國平安人壽保險股份有限公司 (Ping An Life Insurance Company of China, Ltd.*) ("**Ping An Life**") and Ping An Trendwin respectively and Ping An Trendwin is the general partner. Ping An Life is a joint stock limited company incorporated in the PRC with limited liability principally engaged in the life insurance business and is directly owned as to 99.51% by Ping An Group. Ping An Trendwin is a limited liability company established in the PRC principally engaged in investment management and related consultancy services, asset management, financial consulting, investment consulting, asset management consulting, business information consulting and enterprise management consulting and is owned as to 49% by 平安資產管理有限責任公司 (Ping An Asset Management Co., Ltd.*) ("**Ping An Asset Management**"), and 31% and 20% by two other subsidiaries of Ping An Group. Ping An Asset Management is in turn owned as to 98.67% directly and 1.33% indirectly by Ping An Group. As such, Ping An Group is the ultimate beneficial owner of both Ping An Life and Ping An Trendwin.

Ping An Group is a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318) and the H shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 2318).

To the best knowledge, information and belief of the Directors and, after having made all reasonable enquiries, the Investor and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE TARGET COMPANY AND THE TARGET GROUP

As at the Latest Practicable Date, the Target Company is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding. The Target Group consists of the Target Company and its subsidiaries and is principally engaged in investment, development, construction, operation and management of photovoltaic power businesses and wind power businesses in the PRC.

The list of subsidiaries of the Target Company within the Target Group as at the Latest Practicable Date are set out in Appendix V to this circular.

The unaudited net asset value of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) as at 30 June 2023 was approximately RMB6,026,203,000. The unaudited profit before and after taxation of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for the financial years ended 31 December 2022 and 31 December 2021 are set out below:

	For the year ended 31 December 2022	**For the year ended 31 December 2021**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*
Profit before taxation	462,203	446,880
Profit after taxation	363,991	394,554

PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

According to the Valuation Report, the Valuer has adopted the asset-based approach and market approach on the Target Company after the Restructuring, and finally elected the valuation results using the asset-based approach for the Valuation. Among which, the asset-based approach has applied income approach (including dividend discount method and cash flow discount method) to the grid-connected project companies within the subsidiaries of the Target Company after the Restructuring, and applied asset-based approach to the platform companies within the subsidiaries of the Target Company after the Restructuring, which have been finally summarized as the long-term equity investment value of the Target Company. in performing the Valuation. As the discounted cash flow forecast of the relevant subsidiaries has been taken into account when using the income approach. The discounted cash flow forecast constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**"). As such, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

Assumptions

Details of the principal assumptions, including commercial assumptions, of the Valuation are as follows, details of which shall be referred to the summary of the Valuation Report contained in Appendix IV to this circular:

(I) Open market assumption

Assets can be traded freely in a fully competitive market. Its price depends on the value judgment of independent buyers and sellers of the assets under the supply and demand of a certain market.

(II) Enterprise on-going operations

It is assumed that the business activities of an operating entity can be continued on a continuous basis, and that the business activities of the entity will not be suspended or terminated in a predictable time in the future.

(III) Trading assumption

It is assumed that all valuation subjects have been subject to a simulated trading process.

(IV) There will be no material changes in the existing national laws, regulations and policies, and national macro-economic situation that the Target Company currently complies with;

(V) There will be no material changes in the political, economic, business and social environment of the region where the parties operate and there will be no material adverse effect caused by unpredictable and force majeure factors;

(VI) The Target Company will maintain on-going operations according to laws, and the scope and mode of operation and the decision-making procedure of the Target Company are consistent with the current general direction;

(VII) It is assumed that the operator of the Target Company is responsible, fully complies with all relevant laws and regulations, and the management of the Target Company is competent to perform their duties;

(VIII) It is assumed that the accounting policies adopted by the Target Company in the future are consistent with those adopted in preparing this valuation report in material aspects;

(IX) It is assumed that the scope and mode of operation of the Target Company are consistent with the current direction based on the existing management method and management standard;

(X) There will be no material changes to the relevant interest rates of financial credit, tax basis and tax rates, foreign exchange rates, and policy-based levies;

(XI) There will be no force majeure factors and unpredictable factors materially and adversely affecting the production and operation of the enterprise;

(XII) There will be no material changes in the operating scope and mode of the enterprise in the future operating period. The structure of its principal business, income and cost composition as well as the sales strategies and cost control of its future business will maintain its current status in recent years without material changes. Changes in operating capability, business scale and business structure arising from the possible changes in management, operating strategies and additional investment as well as business environment in the future are not taken into consideration, notwithstanding the high probability of occurrence of such changes. In other words, this valuation is based on the assumption that the production and operation capability, business scale and business model as at the benchmark date will continue, among which the quantity of production of the principal business in the future operating period will follow the verified production capability, without taking into account the special changes caused by possible overrun or reduction in production;

(XIII) As this valuation adopts finite valuation according to the economic life of the enterprise's power generation assets, and the maintenance of power generation assets has been considered in the operation and maintenance costs, capital expenditure is no longer considered, and it is/will be considered to recover the salvage value at the end of the forecast period. As for the office electronic equipment and other assets with shorter economic life, it is/will be considered to update the wear and tear of the assets each year, and to recover the salvage value at the end of the forecast period.

(XIV) During the future operating period of the enterprise, there will not be any material changes in its operating and management expenses on the existing basis, but will continue to maintain its changing trend in recent years and will change simultaneously along with the changes in business scale. In view of the frequent changes or large changes in the production and operation process of the enterprise's monetary funds or its bank deposits, etc., this report adopts enterprise free cash flow model, without taking into account the finance costs or other uncertain profits or losses;

(XV) It is assumed that the Target Company will not encounter significant issues in the collection of account receivables in the future operating period. For subsidiaries in new energy power generation, the accounting content of receivables shall be the benchmark tariff receivable for coal-fired power, which is calculated based on a turnover period of one month. For enterprises that have been included in the Catalogue of Additional Subsidies for Renewable Energy Electricity Prices (the "**National Subsidy Catalogue**") and the List of the First Batch of Renewable Energy Power Generation Subsidy Qualified Projects (the "**Qualified List**"), national subsidies shall be collected at 20% of the reserved national subsidies in the second half of year 2023, 80% of the reserved subsidies and the national subsidies for the second half of 2023 in year 2024, the full-year subsidies for year 2024 in year 2025, and so on; for enterprises that have not been included in the National Subsidy Catalogue or the Qualified List, national subsidies shall be collected at 50% of the reserved subsidies in year 2024, 50% of the reserved subsidies and the national subsidies for the second half of year 2023 in year 2025, the national subsidies for years 2024 and 2025 in year 2026, the national subsidies for year 2026 in year 2027, and so on; for project companies that have already received a large amount of national subsidies, the recovery cycle should be appropriately accelerated;

(XVI) During the market approach evaluation, the comparable enterprises and the evaluated entity are able to operate as a going concern according to the operation mode, business structure and capital structure publicly disclosed at the time of the transaction;

(XVII) During the market approach evaluation, the information disclosure of comparable enterprises is true, accurate, and complete, and there are no false statements, erroneous records or major omissions that affect the value judgment;

(XVIII) During the market approach evaluation, the valuers select dimensions and indicators of comparison only based on the relevant information of the publicly disclosed comparable enterprises, and do not consider the impact of other undisclosed matters on the value of the evaluated entity;

(XIX) The occurrence of connected transactions at arm's length market prices.

The appraisal professionals, in accordance with the requirements of the asset appraisal, have determined that these assumed prerequisites are valid as at the valuation benchmark date, and that the appraisal professionals will not be liable to derive a different appraisal conclusion due to the change in prerequisites when there is a material change in the economic environment and a change in prerequisites in the future.

Confirmations

Ernst & Young ("**EY**") has been engaged by the Company to review the calculations of the discounted future cash flows upon which the Valuation was based on, which do not involve the adoption of accounting policies and the appropriateness and validity of the assumptions. EY is of the opinion that, so far as the arithmetical accuracy of the calculation is concerned, the Profit Forecast has been properly compiled in accordance with the assumptions adopted in the Valuation Report.

Ballas Capital Limited ("**Ballas Capital**"), the independent financial adviser of the Company with respect of the Profit Forecast, has reviewed the Profit Forecast and has discussed with the management of the Company the principal assumptions upon which the Profit Forecast was based. Ballas Capital has also considered the report from EY addressed to the Board regarding the calculations of the Profit Forecast. On the basis of the foregoing, Ballas Capital has confirmed that it is satisfied that the Profit Forecast included in the Valuation Report has been made by the Directors after due and careful enquiry.

The report from EY and the letter from Ballas Capital are included in appendix VI and appendix VII to this circular respectively for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Increase Agreement

As the equity interest of the Company in the Target Company will be reduced from 100% to approximately 55.54% upon Completion, the Company is deemed to have made disposal of interest in the Target Company under Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the said deemed disposal exceed 75%, the Capital Increase Agreement constitutes a very substantial disposal for the Company and the Company is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Option

The acquisition of the Option by the Company and Beiqing Smart to purchase the Equity Interest would be treated as notifiable transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, upon the acquisition of the Option (the exercise of which is at the discretion of the Company and/or Beiqing Smart), only the premium will be taken into consideration for calculating the percentage ratios. As nil premium is payable on the acquisition of the Option, such acquisition of the Option will not constitute notifiable transaction of the Company.

THE EGM

The notice of EGM is set out in pages EGM-1 to EGM-3 of this circular. At the EGM, an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve and ratify, the Capital Increase Agreement and the transactions contemplated thereunder.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

Any Shareholders who have a material interest in the Capital Increase Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant ordinary resolution approving the Capital Increase.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders and their respective associates has a material interest in the Capital Increase Agreement and the transactions contemplated thereunder which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Capital Increase Agreement and the transactions contemplated thereunder at the EGM.

RECOMMENDATION

The Directors consider that the Capital Increase Agreement and the transactions contemplated thereunder is fair and reasonable and in the best interest of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Shandong Hi-Speed New Energy Group Limited
Wang Xiaodong
Chairman

FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Company for each of the three years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023 have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.shneg.com.hk):

- the annual report of the Company for the year ended 31 December 2020 (pages 71 to 187) published on 29 April 2021, available on:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900695.pdf;

- the annual report of the Company for the year ended 31 December 2021 (pages 79 to 195) published on 26 April 2022, available on:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601896.pdf;

- the annual report of the Company for the year ended 31 December 2022 (pages 78 to 187) published on 26 April 2023, available on:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602542.pdf;

- the interim report of the Company for the six months ended 30 June 2023 (pages 32 to 58) published on 25 September 2023, available on:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0925/2023092500340.pdf;

1. STATEMENT OF INDEBTEDNESS OF THE GROUP

At the close of business on 10 October 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Debts and borrowings

As at 10 October 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding (i) secured and guaranteed bank loans of approximately HK$12,302 million, secured and unguaranteed bank loans of approximately HK$400 million, (ii) unsecured and guaranteed bank loans of approximately HK$907 million, unsecured and unguaranteed bank loans of approximately HK$8,013 million, (iii) secured and unguaranteed corporate bonds with an aggregate principal amount of RMB366 million (equivalent to approximately HK$399 million), (iv) secured and guaranteed lease liabilities of approximately HK$2,686 million, (v) unsecured and unguaranteed lease liabilities of approximately HK$958 million, and (vi) secured and guaranteed other loans of approximately HK$6,967 million.

The secured bank and other borrowings, lease liabilities under finance lease arrangements and bill payables of the Group as at 10 October 2023 are secured by:

(i) pledges over certain of the Group's property, plant and equipment and operating concessions;

(ii) pledges over certain of the Group's trade receivables;

(iii) pledges over certain of the Group's contract assets;

(iv) pledges over the Group's equity interests in certain subsidiaries;

(v) guarantees given by the Company and/or its subsidiaries; and/or

(vi) pledges over certain of the Group's bank balances.

Guarantees issued

As at 10 October 2023, the Group provided the total maximum guarantees in relation to the investments in joint ventures and an unlisted equity investment of approximately HK$1,327 million.

Contingent liabilities

As at 10 October 2023, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 10 October 2023, have any outstanding debt securities, whether issued and outstanding, authorised or otherwise created but unissued, term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured, borrowings or debt, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there are no material changes in the indebtedness and contingent liabilities of the Group since 10 October 2023.

2. WORKING CAPITAL STATEMENT OF THE GROUP

The Directors are of opinion that, after due and careful enquiry and taking into account the Capital Increase Agreement and the transactions contemplated thereunder, the financial resources available to the Group including the internally generated funds and the available banking facilities, the Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular.

In this regard, the Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2023, the installed capacity of renewable energy in the PRC exceeded 1.3 billion kilowatts and reached 1.322 billion kilowatts, representing a year-on-year increase of 18.2%, which historically exceeded coal power, accounting for approximately 48.8% of China's total installed capacity. In terms of newly installed capacity, the newly installed capacity of renewable energy in the PRC reached 109 million kilowatts, representing a year-on-year increase of 98.3%, accounting for 77% of total newly installed capacity. Among them, the newly added on-grid capacity of conventional hydropower was 2.06 million kilowatts; pumped energy storage reached 3.3 million kilowatts; the newly added on-grid capacity of wind power was 22.99 million kilowatts; the newly added on-grid capacity of photovoltaic power was 78.42 million kilowatts; and the newly added on-grid capacity of biomass power was 1.76 million kilowatts. It can be seen that wind power and photovoltaic power are the absolute main forces in the newly installed capacity of renewable energy.

The Company has successively secured projects in key regions this year. Among them, in August 2023, the Company won the bid for the first batch of competitive allocation index for centralized onshore wind power projects under the "14th Five-Year Plan" of Shandong Province, and was awarded the wind power project in Heze City, Shandong Province, with a total planned installed capacity of more than 380 megawatt; in September 2023, the selection result of the 230,000 kilowatts photovoltaic project in Yanyuan County, Liangshan Prefecture, Sichuan Province was publicized, and the project company subordinate to the Company ranked first in the total score and successfully won the bid; in the same month, the Company's operation and maintenance company successfully won the bidding of the commissioned operation and maintenance service project of China Huadian Group's 800 megawatt wind farm.

In the future, the Company will continue to position itself as the main force of SDHS Group's emerging industries and the flagship of new energy, and take the development, investment and operation of wind power and photovoltaic new energy as its core business, building it as a flagship new energy enterprise under SDHS Group. The Company will fully utilise the new energy business as a green engine to promote the integration and development of infrastructure and energy network. The Company aims to become a domestic new energy integrated operator and service provider which is fully market-oriented with core competitiveness and sustainable and high-quality development, and strives to become a leading player in the industry.

5. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

The Company will remain the holding company of the Target Group upon Completion. Set out below is the reproduction of the text contained in the sections headed "Management Discussion and Analysis" and "Future Outlook" of the Group for the three years ended 31 December 2020, 2021 and 2022, and for the six months ended 30 June 2023, which are extracted from the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023. Please refer to the said annual reports, interim report and the relevant financial statements together with the notes for further details of the discussion and analysis of the results of the Group for the said period not covered under the sections headed "Management Discussion and Analysis" and "Future Outlook".

Unless otherwise specified, capitalised terms used in this section shall have the same meanings as those defined in the respective annual reports or interim report of the Company. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, and any opinion and beliefs stated were made by the then Directors at such time when the related annual report(s) or interim report of the Company was or were issued.

For the year ended 31 December 2020

1. BUSINESS REVIEW

During the year ended 31 December 2020, the Group was principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "**Photovoltaic Power Business**"), wind power businesses (the "**Wind Power Business**") and clean heat supply businesses (the "**Clean Heat Supply Business**") in the PRC.

Financial highlights:

	2020	**2019**	**Change**
	HK$'000	*HK$'000*	*%*
Revenue	5,551,791	6,335,620	(12)
Gross profit	2,662,864	2,896,755	(8)
Gross profit ratio *(%)*	48.0	45.7	2.3
Profit for the year	886,440	842,086	5
Profit attributable to the equity holders of the Company	659,983	682,864	(3)
Basic EPS *(in HK cent(s))*	0.92	0.96	(4)
EBITDA	3,523,450	3,281,219	7
Total assets	57,127,247	52,192,282	9
Equity	13,124,890	11,005,769	19
Cash and cash equivalents	2,521,536	3,698,835	(32)

Amidst the severe and complex domestic and international environment, especially the rampancy of the novel coronavirus pneumonia (COVID-19) pandemic, under the strong leadership of the CPC Central Committee with General Secretary Xi Jinping at its core, major strategic results have been achieved in the prevention and control of the pandemic. The economic and social development goals and tasks have been completed in a better-than-expected progress. While taking the pandemic prevention and control as part of new normal, China continued to introduce various energy-related favourable policies to accelerate the clean and efficient use of fossil energy, and vigorously promoted non-fossil energy to continuously increase the proportion of clean energy consumption and to promote the transformation of environmentally friendly and low-carbon production of energy.

The pandemic had a relatively minor impact on the industries of the Group compared to other industries. Due to the COVID-19 outbreak and partial or complete lockdowns during the first half of 2020, the development and construction works of certain new power plant projects were delayed in the first quarter of 2020, but have gradually resumed since the second quarter of 2020 after the lifting of the movement and quarantine restrictions in the PRC. As a clean energy project owner and operator, however, the Group was not affected by the economic adversity caused by the pandemic. The revenue contribution from the sale of electricity and entrusted operations businesses remained stable. Generally speaking, the pandemic had no material impact on the business operations of the Group in 2020. In 2020, the power generation of the Group on a consolidated basis amounted to approximately 3.8 million megawatt-hour ("**MWh**") (2019: approximately 3.6 million MWh), representing an increase of approximately 6% compared with the corresponding period of 2019. The aggregate operating power generation[#] of the projects held and/or managed by the Group, the associates and the joint ventures of the Group for 2020 was approximately 4.8 million MWh (2019: approximately 4.6 million MWh), representing an increase of approximately 4% compared with the corresponding period of 2019.

The Group's revenue and business structure has been continuously optimised by focusing on the power generation business with stronger sustainability, driving quality and efficiency enhancement of its existing projects, implementing cost reduction and efficiency enhancement by seeking further optimisation of its business mix in an active move to advance business transformation with an objective to improve the Group's overall performance. Although the revenue of the Group decreased by approximately 12% as compared to the corresponding period of last year, the gross profit margin increased from 45.7% to 48.0% as compared to the corresponding period of last year.

Profit for the year of the Group was approximately HK$886.4 million (2019: approximately HK$842.1 million), representing an increase of approximately 5% as compared to the corresponding period of last year. Profit attributable to the equity holders of the Company was approximately HK$660.0 million (2019: approximately HK$682.9 million), representing a decrease of approximately 3% as compared to the corresponding period of last year.

Further details of the discussion of financial performance are set out in the section headed "2. Financial Performance" in "Management Discussion and Analysis". Analysis of the business performance is set out below.

[#] *The operating power generation included (i) the power generation of the projects held by the Group, the associates and the joint ventures of the Group; and (ii) the power generation of the projects managed by the Group through the provision of entrusted management services.*

1.1 Sale of Electricity and Entrusted Operations

During the year, the Group steadily developed its operating capacity through the investment, development, construction, operation and management of clean energy power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK$3,369.8 million (2019: approximately HK$3,370.9 million), which was comparable to the corresponding period of last year.

Pursuant to the "Opinions on Promoting the Healthy Development of Non-hydro Renewable Power Generation*"(《關於促進非水可再生能源發電健康發展的若干意見》) and the revised "Administrative Measures for the Additional Subsidies for Renewable Energy Electricity Prices*"(《可再生能源電價附加補助資金管理辦法》) jointly announced by the Ministry of Finance, the National Development and Reform Commission of the PRC (the "**NDRC**") and the National Energy Administration, and also the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*"(《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in the first quarter of 2020, the rules for settlement of additional subsidies for renewable energy electricity prices as well as the conditions and application procedures for entering the list of National Renewable Energy Power Generation Subsidies for the renewable energy power generation projects (the "**Project List**") were further clarified. In addition, the "Notice on the Acceleration of Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*"(《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) issued by the Ministry of Finance in November 2020, emphasises acceleration of review on existing renewable energy power generation projects, make sure that those projects should enter the Project List in batches as soon as possible. It also clarifies that all qualified renewable energy power generation projects which have already completed the approval procedures as required in or after 2006 could enter the Project List. Those photovoltaic and wind power plants projects registered into the first to seventh batches of the Renewable Energy Tariff Subsidy Catalogues (the "**Subsidy Catalogues**") will be enlisted in the Project List automatically.

As at 31 December 2020, the Group has several photovoltaic and wind power plants with aggregated capacity of 1,800MW successfully enlisted in the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2021. The above opinions and notices show that the government is doing its best to solve the problem of arrears in subsidies for renewable energy power generation projects, which is beneficial to the betterment of the Group's cash flow. The Group will closely follow up and implement remaining project inventory declaration and national subsidies related works and will proactively promote the implementation of relevant strategies to improve the receipt of national subsidies.

1.1.1 Photovoltaic Power Plant Projects

(a) Scale and performance of the centralised photovoltaic power plant projects

During the year, the Group's centralised photovoltaic power business operated steadily. The Group recorded revenue of approximately HK$2,390.9 million (2019: approximately HK$2,494.9 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing 43% (2019: 39%) of the Group's total revenue during the year.

As at 31 December 2020, 50 (2019: 52) centralised photovoltaic power plants covering 12 provinces, 1 municipality and 2 autonomous regions in the PRC and 1 (2019: 1) centralised photovoltaic power plant in Whyalla, Southern Australia, Australia were held by the Group and in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,239MW (2019: 2,256MW), details of which are set forth below:

		2020			2019		
Location	Photovoltaic resource area	Number of plants	Approximate total on-grid capacity	Approximate aggregate power generation *(note 1)*	Number of plants	Approximate total on-grid capacity	Approximate aggregate power generation *(note 1)*
			(MW)	*(MWh)*		*(MW)*	*(MWh)*
PRC–Subsidiaries:							
Hebei Province	II/III	16	572	671,863	16	469	605,520
Henan Province	III	3	264	333,254	3	264	339,488
Shandong Province	III	5	248	308,996	5	248	329,223
Guizhou Province	III	4	211	211,666	4	211	223,675
Anhui Province	III	6	191	202,544	6	191	220,366
Shaanxi Province	II	2	160	249,703	2	160	245,944
Jiangxi Province	III	3	125	125,212	3	125	133,048
Jiangsu Province *(note 2)*	III	1	100	177,879	3	220	204,884
The Ningxia Hui Autonomous Region	I	1	100	145,809	1	100	143,418
Hubei Province	III	2	43	41,063	2	43	45,247
Jilin Province	II	1	30	46,791	1	30	49,637
The Tibet Autonomous Region	III	1	30	40,524	1	30	41,218
Tianjin Municipality	II	1	30	44,772	1	30	46,630
Yunnan Province	II	1	22	30,794	1	22	33,279
Shanxi Province	III	1	20	28,373	1	20	28,362
		48	2,146	2,659,243	50	2,163	2,689,939

Location	Photovoltaic resource area	2020 Number of plants	2020 Approximate total on-grid capacity	2020 Approximate aggregate power generation (note 1)	2019 Number of plants	2019 Approximate total on-grid capacity	2019 Approximate aggregate power generation (note 1)
			(MW)	(MWh)		(MW)	(MWh)
PRC–Joint ventures:							
Anhui Province	III	1	60	74,825	1	60	79,847
Hubei Province	III	1	27	27,095	1	27	26,551
		2	87	101,920	2	87	106,398
PRC–Sub-total		50	2,233	2,761,163	52	2,250	2,796,337
Overseas–Subsidiary:							
Whyalla, Southern Australia, Australia	N/A	1	6	6,450	1	6	9,666
Total		51	2,239	2,767,613	53	2,256	2,806,003

Most of the Group's centralised photovoltaic power plant projects in the PRC were situated in photovoltaic resource areas II and III as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business. Set out below the projects analysis by photovoltaic resource areas:

Photovoltaic resource area	2020 Number of plants	2020 Approximate total on-grid capacity	2020 Approximate aggregate power generation (note 1)	2019 Number of plants	2019 Approximate total on-grid capacity	2019 Approximate aggregate power generation (note 1)
		(MW)	(MWh)		(MW)	(MWh)
PRC – Subsidiaries:						
I	1	100	145,809	1	100	143,418
II	12	448	689,725	12	448	677,492
III	35	1,598	1,823,709	37	1,615	1,869,029
	48	2,146	2,659,243	50	2,163	2,689,939
PRC – Joint ventures:						
III	2	87	101,920	2	87	106,398
Total	50	2,233	2,761,163	52	2,250	2,796,337

Note 1: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full period performance of these operations.

Note 2: On 8 May 2020, (i) an equity transfer agreement was entered into by and among 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*) (the "**Vendor**" or "**TJCE**"), 國投電力控股股份有限公司 (SDIC Power Holdings Co., Ltd.*) (the "**Purchaser**" or "**SDIC Power**") and 響水恒能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co., Ltd.*) ("**XSHN**"), in relation to the disposal of the entire equity interest of XSHN at a total consideration of RMB438,000,000; and (ii) an equity transfer agreement was entered into by and among the Vendor, the Purchaser and 響水永能太陽能發電有限公司 (Xiangshui Yongneng Photovoltaic Power Co., Ltd.*) ("**XSYN**"), in relation to the disposal of the entire equity interest of XSYN at a total consideration of RMB100,000,000 (the "**Disposals**").

Upon completion of the Disposals on 28 May 2020, XSHN and XSYN ceased to be subsidiaries of the Group. Further details of the Disposals are set out in the Company's announcement dated 8 May 2020 and the Company's circular dated 24 July 2020. As a result, the financial results of XSHN and XSYN from the beginning of the year and up to the completion date of the Disposals were consolidated into the Group's results during the year.

Note 3: During the year ended 31 December 2020, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.80.

(b) Scale of the centralised photovoltaic power plant projects registered in the Project List

During the year, settlements of the renewable energy subsidies of these centralised photovoltaic power plants held by the Group's subsidiaries in the amount of approximately HK$630.4 million were received. As at 31 December 2020, the Group's aggregate installed capacity of the centralised photovoltaic power plants registered into the Project List reached approximately 1,300MW. The remaining centralised photovoltaic power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining centralised photovoltaic power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2021.

(c) Key performance data of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the reporting period

	2020	**2019**	**Changes**
Weighted average curtailment ratio *(%)*	2.37	1.69	0.68
Weighted average utilisation hours *(hours)*	1,280	1,295	(15)

During the year, the weighted average utilisation hours reached 1,280 hours, which was higher than the national average utilisation hours of photovoltaic power in the PRC of 1,160 hours. The Group's centralised photovoltaic power plant projects are mainly located in photovoltaic resource areas II and III as promulgated by the NDRC and therefore a relatively low weighted average curtailment ratio was achieved. The increase of weighted average curtailment ratio during the year as compared to the corresponding period of last year was mainly attributable to the decrease in demand for electricity due to the COVID-19 outbreak in the first quarter of 2020, and the situation has gradually improved since the second quarter of 2020.

(d) Scale and performance of the distributed photovoltaic power plant projects

In respect of the distributed photovoltaic power business, as at 31 December 2020, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation reached approximately 700MW, mainly located in photovoltaic resource area III as promulgated by the NDRC such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province, which included the distributed photovoltaic power plants constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity from the Group's distributed photovoltaic power plants reached approximately HK$455.3 million during the year (2019: approximately HK$390.0 million).

(e) *Scale of the distributed photovoltaic power plant projects registered in the Project List*

During the year, settlements of the renewable energy subsidies of distributed photovoltaic power plants in the amount of approximately HK$57.9 million were received. As at 31 December 2020, the Group's aggregate installed capacity of the distributed photovoltaic power plants registered into the Project List reached approximately 300MW. The remaining distributed photovoltaic power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining distributed photovoltaic power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2021.

(f) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK$90.0 million (2019: approximately HK$168.6 million) was recognised during the year.

1.1.2 Wind Power Plant Projects

Under the situation and requirements of strictly controlling the total amount and intensity of traditional energy consumption and continuous improvement of the ecological environment, especially the announcement of accomplishment of "CO2 Emissions Peak" and "Carbon Neutrality" goals, wind power as a green and clean energy, will become the main strategic energy in the PRC in the future. With the Group's expertise and professional team in, among others, investing, developing and managing wind and other clean energy power businesses, the Group is optimistic on continuously developing its Wind Power Business to contribute effort in building up a green future of the PRC.

(a) *Scale and performance of the wind power plant projects*

During the year, the Group's Wind Power Business expanded steadily. The Group recorded revenue of approximately HK$322.1 million (2019: approximately HK$238.4 million) from the sale of electricity from the Group's wind power plants.

As at 31 December 2020, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached over 1,400MW. These projects mainly located in Hebei Province, Henan Province, Shandong Province and the Inner Mongolia Autonomous Region and mainly situated in resource area IV as promulgated by the NDRC. Among which, 11 projects (2019: 7 projects) with an aggregate on-grid capacity of 438MW (2019: 190MW) were held by the Group and in operation as at 31 December 2020, which is analysed below:

		2020			2019		
Location	**Wind resource area**	**Number of plants**	**Approximate total on-grid capacity**	**Approximate aggregate power generation** *(note 1)*	**Number of plants**	**Approximate total on-grid capacity**	**Approximate aggregate power generation** *(note 1)*
			(MW)	*(MWh)*		*(MW)*	*(MWh)*
PRC – Subsidiaries:							
The Inner Mongolia Autonomous Region	I	4	119	378,415	4	119	340,120
Henan Province	IV	5	171	135,214	2	23	19,837
Hebei Province	IV	1	100	37,712	–	–	–
Shandong Province	IV	1	48	98,988	1	48	106,113
Total		11	438	650,329	7	190	466,070

Most of the Group's wind power plant projects in the PRC were situated in wind resource area IV as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Wind Power Business. Set out below the projects analysis by wind resource areas:

	2020			2019		
Wind resource area	**Number of plants**	**Approximate total on-grid capacity**	**Approximate aggregate power generation** *(note 1)*	**Number of plants**	**Approximate total on-grid capacity**	**Approximate aggregate power generation** *(note 1)*
		(MW)	*(MWh)*		*(MW)*	*(MWh)*
PRC – Subsidiaries:						
I	4	119	378,415	4	119	340,120
IV	7	319	271,914	3	71	125,950
Total	11	438	650,329	7	190	466,070

Note 1: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full year performance of these operations.

Note 2: During the year ended 31 December 2020, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects was approximately RMB0.45.

(b) Scale of the wind power plant projects registered in the Project List

During the year, settlements of the renewable energy subsidies of these wind power plants in the amount of approximately HK$37.6 million were received. As at 31 December 2020, the Group's aggregate installed capacity of the wind power plants registered into the Project List reached approximately 200MW. The remaining wind power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining wind power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2021.

(c) Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period

	2020	**2019**	**Changes**
Weighted average curtailment ratio *(%)*	3.00	0.05	2.95
Weighted average utilisation hours *(hours)*	2,955	2,810	145

During the year, the weighted average utilisation hours reached 2,955 hours, which was higher than the national average utilisation hours of wind power in the PRC of 2,097 hours. The increase of weighted average curtailment ratio during the year as compared to the corresponding period of last year was mainly attributable to the decrease in demand for electricity due to the COVID-19 outbreak in the first quarter of 2020, and the situation has gradually improved since the second quarter of 2020.

(d) Entrusted management services

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK$111.5 million (2019: HK$79.0 million) was recognised during the year.

1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has couples of qualification and extensive experience in the design, engineering and construction of power-related projects. At the same time, the Group pays much attention to self-owned photovoltaic and wind power-related project construction, which can optimise the resource allocation during the year. Therefore, revenue of approximately HK$802.0 million (2019: approximately HK$1,759.4 million) in aggregate arising from provision of engineering, procurement and construction services was recognised during the year, representing 15% (2019: 29%) of the Group's total revenue during the year and a decrease of 54% as compared to the corresponding period of last year.

In addition, certain photovoltaic power plants and clean heat supply projects on a build-operate-transfer basis (the "**BOT Basis**") were under construction during the year. With reference to HK (IFRIC) Interpretation 12 *Service Concession Arrangements*, construction revenue of approximately HK$246.6 million (2019: approximately HK$189.5 million) was recognised during the year with reference to the fair value of construction services delivered during the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of the relevant service concession agreements.

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK$172.9 million (2019: approximately HK$221.1 million) was recognised during the year.

1.3 Provision of Clean Heat Supply Services

Clean heat supply represents the production of low emission heat through the utilisation of clean energies and the supply of such heat to end users. With various supportive government policies issued including but not limited to the issuance of the "Notice on the Winter Clean Heat Plan (2017 to 2021) of the Northern China*"(《關於印發北方地區冬季清潔取暖規劃(2017-2021年)的通知》) jointly by ten government authorities in December 2017 and the "Notice on the Budget for Air Pollution Prevention and Control in 2019*"(《關於下達2019年度大氣污染防治資金預算的通知》) by the Ministry of Finance in June 2019, the Clean Heat Supply Business shall have a favourable business prospects.

As at 31 December 2020, through development and business acquisition, 15 projects (2019: 17 projects) in operation with an aggregate actual clean heat supply area reached 29.0 million square meters ("**sq.m.**") (2019: 27.4 million sq.m.) and the number of heat supply services users of approximately 238,198 households (2019: approximately 231,657 households), representing a year-on-year increase of 3%, with its projects locating in Henan, Hebei, Shanxi, Shaanxi, the Ningxia Hui Autonomous Region, Liaoning and other provinces and autonomous regions were held and/or managed by the Group, the associates and the joint ventures of the Group through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission) energy, river water source, etc. Revenue of approximately HK$960.5 million (2019: approximately HK$794.7 million) arising from the provision of clean heat supply services was recognised by the Group during the year, representing an increase of approximately 21% as compared to the corresponding period of last year.

Among them, details of actual clean heat supply area and number of heat supply services users of the projects in operation which were held and/or managed by the Group, the associates and the joint ventures of the Group are as follows:

Location	Approximate actual clean heat supply area			Approximate heat supply services users		
	31 December 2020	31 December 2019	Change	31 December 2020	31 December 2019	Change
	('000 sq.m.)	*('000 sq.m.)*	*(%)*	*(households)*	*(households)*	*(%)*
North region, China	13,684	12,954	5.6	108,936	108,403	0.5
Northeast region, China	7,694	7,337	4.9	76,999	72,935	5.6
Northwest region, China	5,871	5,465	7.4	37,773	36,309	4.0
East and Central regions, China	1,792	1,642	9.1	14,490	14,010	3.4
Total	29,041	27,398	6.0	238,198	231,657	2.8

1.4 Other Clean Energy Businesses

The Group has been exploring other clean energy businesses such as multi-energy complement, hydropower, energy storage, distribution and sales of electricity, hydrogen production and other business lines, and exploring international opportunities for strategic development and diversification, with an aim to become a leading integrated clean energy service provider. During the year, the Group has also entered into strategic cooperation agreements with local governments and well-established enterprises, and proactively established integrated partnerships to seek joint development in the field of clean energy for the purpose of mutual benefits and complementarity.

In 2020, the Group continued to proactively explore development opportunities for investment, construction and operation in the hydropower sector. As a new strategic business of the Group, the hydropower business is coordinated with other segments. Relying on hydropower, the Group may establish energy bases which integrate the storage and transmission of wind power, photovoltaic power and hydropower, so as to deliver greater scale advantages and operating benefits, which is expected to contribute more stable income and cash flow to the Group in the future, optimises the Group's clean energy power station asset portfolio and ultimately deliver greater returns to shareholders.

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK$5,551.8 million (2019: approximately HK$6,335.6 million) during the year ended 31 December 2020, representing a decrease of approximately 12% as compared to the corresponding period of last year. For the year ended 31 December 2020 (i) revenue from the sale of electricity and entrusted management services reached approximately HK$3,369.8 million (2019: approximately HK$3,370.9 million) in aggregate, which was comparable to the corresponding period of last year; and (ii) revenue from construction services was approximately HK$1,048.6 million (2019: approximately HK$1,948.9 million), representing a decrease of 46% as compared to the corresponding period of last year.

The gross profit performance by business nature is set out below:

	2020			2019		
	Revenue *(HK$ million)*	**Gross profit ratio** *(%)*	**Gross profit** *(HK$ million)*	**Revenue** *(HK$ million)*	**Gross profit ratio** *(%)*	**Gross profit** *(HK$ million)*
Sale of electricity						
Photovoltaic Power Business	2,846.2	68.6	1,953.5	2,884.9	66.2	1,910.9
Wind Power Business	322.1	62.2	200.3	238.4	66.8	159.2
Construction services	1,048.6	22.7	237.9	1,948.9	13.8	269.3
Technical consultancy services	172.9	60.7	105.0	221.1	70.7	156.3
Entrusted operations	201.5	38.3	77.1	247.6	81.7	202.2
Provision of clean heat supply services	960.5	9.3	89.0	794.7	25.0	198.8
Total	5,551.8	48.0	2,662.8	6,335.6	45.7	2,896.7

Analysis of the above businesses are set out in the section headed "1. Business Review" in "Management Discussion and Analysis".

Gross profit for the sale of electricity increased from approximately HK$2,070.1 million for the year ended 31 December 2019 to approximately HK$2,153.8 million during the year ended 31 December 2020, representing 81% (2019: 71%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group's total gross profit was mainly attributable to the steady development of the Group's operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction services to the Group's total gross profit was 9% (2019: 9%) during the year. The overall gross profit ratio increased from 45.7% during the year ended 31 December 2019 to 48.0% during the year ended 31 December 2020.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK$206.3 million (2019: approximately HK$278.3 million) during the year, which mainly comprised (i) interest income of approximately HK$43.1 million (2019: approximately HK$113.0 million); (ii) government grants of approximately HK$108.4 million (2019: approximately HK$135.6 million); and (iii) gains on disposal of interest in a joint venture of HK$22.0 million (2019: Nil).

2.3 Administrative expenses

The decrease in administrative expenses to approximately HK$388.6 million (2019: approximately HK$557.6 million) was mainly attributable to the decreases in rental expenses, business travelling expenses and staff costs as a result of implementing cost reduction and efficiency enhancement by the Group.

2.4 Other operating expenses, net

The decrease in other operating expenses from HK$315.4 million in 2019 to HK$157.1 million during the year was mainly due to certain one-off impairments were provided in 2019 while no such items incurred during the year.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK$113.5 million to approximately HK$1,323.7 million (2019: approximately HK$1,210.2 million) was mainly attributable to the increase in the average balances of corporate bonds, bank loans and other borrowings of the Group as compared to the corresponding period of last year.

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding years.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to the net effect of (i) the acquisition and development of clean energy projects; and (ii) the disposals of clean energy projects during the year.

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office in Hong Kong and were leased to an independent third party.

2.9 Goodwill

It was attributable to the acquisition of subsidiaries since 2016.

2.10 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plants and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) *Business Combinations*. The increase in operating concessions was mainly attributable to the construction of certain clean energy projects on a BOT Basis, and the increase in operating rights was mainly attributable to the net effect of (i) the acquisition of clean energy businesses; and (ii) amortisation provided for during the year.

2.11 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses, the increase was mainly attributable to the capital contributions made to joint ventures.

2.12 Investments in associates

It mainly represented (i) the Group's investment in 北清環能集團股份有限公司 (BECE Legend Group Co., Ltd*) (formerly known as 四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*)) (a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: SZ.000803)), an associate owned as to 24.72% by the Group and was principally engaged in the organic waste hazard-free treatment and high-value resource utilisation business, the clean heat supply business and the energy performance contracting business; and (ii) the Group's investment in 北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd.*), an associate owned as to 15% by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC.

2.13 Other non-current assets

It represented materials and equipment sold and delivered to independent third parties for the development of photovoltaic and wind power plant projects.

2.14 Contract assets

Contract assets as at 31 December 2020 of approximately HK$3,477.6 million (2019: approximately HK$5,376.2 million) represented (i) gross receivables of approximately HK$1,270.5 million (2019: approximately HK$1,482.9 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects; (ii) gross receivables of approximately HK$2,244.0 million (2019: approximately HK$3,923.6 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Project List; and (iii) loss allowances of contract assets of approximately HK$36.9 million (2019: approximately HK$30.3 million). The decrease in contract assets was mainly attributable to the increase in the clean energy projects registered into the Project List during the year.

2.15 Trade and bills receivables

Trade and bills receivables of approximately HK$7,057.9 million (2019: approximately HK$4,203.5 million) as at 31 December 2020 were mainly comprised (i) gross receivables from the sale of electricity of the photovoltaic and wind power plant projects of approximately HK$4,851.7 million (2019: approximately HK$1,260.7 million); (ii) gross receivables from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK$1,460.0 million (2019: approximately HK$2,307.6 million); and (iii) loss allowances of trade and bills receivables of approximately HK$35.8 million (2019: approximately HK$39.4 million).

As at 31 December 2020, gross trade receivables for the sale of electricity of the photovoltaic and wind power plant projects mainly comprised (i) receivables of approximately HK$380.7 million (2019: approximately HK$345.3 million) from the sale of electricity mainly to State Grid Corporation, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK$4,421.7 million (2019: approximately HK$805.6 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Project List.

2.16 Prepayments, deposits and other receivables, and other tax recoverables

The decrease in prepayments, deposits and other receivables and other tax recoverables by approximately HK$266.7 million in aggregate (non-current portion increased by approximately HK$133.7 million and current portion decreased by approximately HK$400.4 million in aggregate respectively) to approximately HK$10,074.9 million (2019: approximately HK$10,341.7 million) in aggregate was mainly attributable to (i) the decreases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects; and (ii) the decrease in the input value-added-tax recoverables arising from the acquisition and development of clean energy projects.

2.17 Cash and cash equivalents

The decrease in cash and cash equivalents by approximately HK$1,177.3 million to approximately HK$2,521.5 million (2019: approximately HK$3,698.8 million) was mainly attributable to net effect of (i) net increase in the corporate bonds and bank borrowings; (ii) cash outflow on developing, acquiring and operating clean energy projects; and (iii) receipts of trade and bills receivables during the year.

2.18 Trade and bills payables

Trade and bills payables of approximately HK$5,898.1 million (2019: approximately HK$5,563.5 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services for the development of clean energy projects.

2.19 Other payables and accruals

Other payables and accruals of approximately HK$4,208.2 million (2019: approximately HK$5,107.6 million) decreased by approximately HK$899.4 million, which was mainly due to the net effect of (i) increase in construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) settlement of the construction and equipment payable of projects acquired or under development by the Group during the year.

2.20 Other non-current liabilities

Other non-current liabilities comprised (a) deferred income of approximately HK$943.5 million (2019: approximately HK$741.1 million) arising from the materials and equipment sold and delivered to independent third parties for the development of photovoltaic and wind power plant projects; and (b) a financial liability of approximately HK$1,404.3 million (2019: HK$671.1 million) mainly arising from an option granted to the Ping An Entities and the Second Investors (as hereinafter defined under the section headed "2.23 Liquidity and financial resources – (d) Capital contribution" in "Management Discussion and Analysis"). Further details of the option are set out in the Company's announcements dated 27 December 2019, 30 July 2020 and the circular dated 24 December 2020.

2.21 Interest-bearing bank loans and other borrowings and corporate bonds excluding operating lease

Interest-bearing bank loans and other borrowings and corporate bonds, of approximately HK$29,661.3 million (2019: approximately HK$27,599.8 million) in aggregate increased by approximately HK$2,061.5 million in aggregate (non-current portion and current portion increased by approximately HK$1,692.1 million and approximately HK$369.4 million in aggregate respectively), which was mainly attributable to the net effect of (i) the drawdown of bank borrowings for the development of the clean energy businesses; (ii) the issue of the Second Corporate Bond (as hereinafter defined); and (iii) the repayment of bank loans and other borrowings during the year.

2.22 Capital expenditures

During the year ended 31 December 2020, the Group's total capital expenditures amounted to approximately HK$4,816.8 million (2019: approximately HK$3,928.3 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK$2,004.1 million (2019: approximately HK$3,274.0 million) in aggregate; (ii) acquisition of other intangible assets of approximately HK$1.1 million (2019: approximately HK$1.5 million); and (iii) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK$2,811.6 million (2019: approximately HK$652.8 million).

2.23 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). Surplus cash is generally placed in short-term deposits denominated in HK$ and RMB.

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$2,521.5 million (2019: approximately HK$3,698.8 million).

Developments of the clean energy businesses require material initial capital investments and the Group funds such developments during the year mainly by (i) long-term bank loans and other borrowings; (ii) perpetual capital instrument; (iii) corporate bonds; and (iv) capital contribution(s) as illustrated below.

(a) Long-term bank loans and other borrowings and corporate bonds excluding operating lease

As at 31 December 2020, the Group's total borrowings of approximately HK$29,661.3 million (2019: approximately HK$27,599.8 million) comprised (i) bank borrowings of approximately HK$13,527.8 million (2019: approximately HK$12,167.9 million); (ii) corporate bonds of approximately HK$1,696.3 million (2019: HK$557.0 million) and (iii) lease liabilities under finance lease arrangements and other loans of approximately HK$14,437.2 million (2019: approximately HK$14,874.9 million). 79% (2019: 79%) of the Group's borrowings are long-term borrowings.

(b) Perpetual capital instrument

On 27 November 2018, the Company issued perpetual capital instrument (the "**Perpetual Capital Instrument**") with an aggregate principal amount of RMB1,000,000,000 for the purposes of repaying certain of the Group's indebtedness and the Group's general working capital. It was the first corporate green panda perpetual capital instrument issued in the PRC and the first perpetual capital instrument issued by the Group. In January 2019, the Company was awarded as one of the "Outstanding Fixed Income Product Issuers" by the Shenzhen Stock Exchange. Net proceeds after deducting issue expenses amounted to RMB997,000,000. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The Perpetual Capital Instrument is classified as equity instruments. During the year ended 31 December 2020, distributions of RMB65,000,000 (2019: RMB65,000,000) was declared and paid to the holders of the Perpetual Capital Instrument.

(c) Corporate bonds

During the year ended 31 December 2020, a corporate bond (the "**Second Corporate Bond**") with an aggregate principal amount of RMB900,000,000 was issued by the Company to certain institutional investors on 29 April 2020, bearing interest at a rate of 5.50% per annum. The Second Corporate Bond is unsecured and repayable on 29 April 2023. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the Second Corporate Bond and the bond holders shall be entitled to sell back the Second Corporate Bond to the Company. Further details of the Second Corporate Bond are set out in the Company's announcement dated 30 April 2020.

A corporate bond (the "**First Corporate Bond**") with an aggregate principal amount of RMB500,000,000 was issued by the Company to certain institutional investors on 6 December 2019, bearing interest at a rate of 5.99% per annum, for the purposes of capital injections to the project companies and repaying certain of the Group's indebtedness. The First Corporate Bond is unsecured and repayable on 6 December 2022. One year prior to the maturity pursuant to the terms and conditions in the subscription agreement of the First Corporate Bond, the Company shall be entitled to adjust the coupon rate of the First Corporate Bond and the bond holders shall be entitled to sell back the First Corporate Bond to the Company. Further details of the First Corporate Bond are set out in the Company's announcement dated 6 December 2019.

(d) Capital contribution

Subsequent to the capital contribution in 天津北清電力智慧能源有限公司 (Tianjin Beiqing Electric Smart Energy Co., Ltd.*) (formerly known as 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited*)) (the "**Target Company**" or "**Beiqing Smart**") in the aggregate amount of RMB600 million (the "**First Capital Increase**") by 天津市平安消費科技投資合夥企業(有限合夥)(Tianjin Ping An Consumption Technology Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精投資合夥企業(有限合夥)(Jiaxing Zhijing Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精恒錦投資合夥企業(有限合夥)(Jiaxing Zhijing Hengjin Investment Partnership Enterprise (Limited Partnership)*) and 嘉興智精恒睿投資合夥企業(有限合夥)(Jiaxing Zhijing Hengrui Investment Partnership Enterprise (Limited Partnership)*) (collectively referred to as the "**Ping An Entities**") in December 2019, on 30 July 2020, the Company, Harvest Sunny International Limited ("**Harvest Sunny**") and Beiqing Smart, both being subsidiaries of the Company, entered into a capital contribution agreement with 深圳市海匯全贏投資諮詢合夥企業(有限合夥)(Shenzhen Haihui Quanying Investment Consulting Partnership Enterprise (Limited Partnership)*) and 啟鷺(廈門)股權投資合夥企業(有限合夥)(Qilu (Xiamen) Equity Investment Partnership Enterprise (Limited Partnership)*) (the "**Second Investors**"), pursuant to which the Second Investors agreed to contribute new capital in the aggregate amount of RMB400 million in return for approximately 4.30% of the enlarged capital of the Target Company (the "**Second Capital Increase**").

Completion of the Second Capital Increase took place on 11 September 2020. Immediately following the completion of Second Capital Increase, Beiqing Smart was held as to approximately 89.25% by Harvest Sunny and would continue to be accounted as a subsidiary of the Company. Both the First Capital Increase and the Second Capital Increase constitute deemed disposals by the Company of its interests in Beiqing Smart under Chapter 14 of the Listing Rules. Further details are set out in the Company's announcements dated 27 December 2019, 30 July 2020 and 15 September 2020 and the circular dated 24 December 2020.

As majority of the funding derives from equity fundings from shareholders in prior years, long-term borrowings, the Perpetual Capital Instrument and the corporate bonds, the Group recorded net current assets position of approximately HK$1,049.3 million (2019: approximately HK$1,606.4 million) as at 31 December 2020.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at the date of this report, the Group had unutilised banking facilities of approximately HK$5,929.8 million (2019: approximately HK$2,429.0 million) in aggregate with terms ranging from repayable on demand to 15 years (2019: ranging from repayable on demand to 15 years).

The Group's net gearing ratio, which was calculated by dividing net debt (defined as the corporate bonds, bank loans and other borrowings, net of cash and cash equivalents) by the sum of net debt and total equity, was 67% (2019: 68%) as at 31 December 2020. The decrease in net gearing ratio was mainly due to the net effect of (i) the issue of the Second Corporate Bond for the purpose of funding the development of the clean energy businesses; (ii) the increase in bank borrowings for the purpose of funding the development of the clean energy businesses; and (iii) the profit attributable to the equity holders of the Company during the year.

CHARGE ON THE GROUP'S ASSETS

The secured bank loans and other borrowings and bills payables of the Group as at 31 December 2020 are secured by:

(i) pledges over certain of the Group's property, plant and equipment and operating concessions;

(ii) pledges over certain of the Group's trade receivables;

(iii) pledges over the Group's equity interests in certain subsidiaries;

(iv) guarantees given by the Company and/or its subsidiaries; and/or

(v) pledges over certain of the Group's bank balances.

Save as disclosed above, at 31 December 2020, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the year ended 31 December 2020, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 2,041 employees (2019: 2,059 employees) with total staff cost of approximately HK$221.4 million incurred for the year ended 31 December 2020 (2019: approximately HK$369.5 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

(a) On 22 January 2020, Beiqing Smart, a non-wholly owned subsidiary of the Company, and 江蘇江南水務股份有限公司 (Jiangsu Jiangnan Water Co., Ltd.*) (as limited partners) and 西藏禹澤投資管理有限公司 (Tibet Yuze Investment Management Co., Limited*), a joint venture of the Company (as general partner and executive partner) entered into a partnership agreement in respect of the formation of a limited partnership, namely 江陰北控禹澄環境產業投資合夥企業(有限合夥)(Jiangyin Beikong Yucheng Environmental Industry Investment Partnership Enterprise (Limited Partnership)*) at the total maximum capital contribution of RMB400,100,000. Among which, the maximum capital contribution of Beiqing Smart in this limited partnership is RMB200,000,000 (representing approximately 49.99% interest in the limited partnership). Further details of the formation of the limited partnership are set out in the Company's announcement dated 22 January 2020.

(b) On 8 May 2020, TJCE, a non-wholly owned subsidiary of the Company (as vendor) and SDIC Power (as purchaser) entered into two equity transfer agreements with XSHN and XSYN, respectively, pursuant to which TJCE agreed to sell, and SDIC Power agreed to acquire, the entire equity interest of XSHN and XSYN at a total consideration of RMB438,000,000 and RMB100,000,000, respectively. The completion took place on 28 May 2020. Upon completion of the Disposals, XSHN and XSYN ceased to be non-wholly owned subsidiaries of the Company and their financial results are no longer consolidated in the Group's financial statements. Further details of the Disposals are set out in the Company's announcement dated 8 May 2020 and the circular dated 24 July 2020.

(c) On 16 July 2020, (i) 信達資本管理有限公司 (Cinda Capital Management Co., Ltd.*) and 延安振興發展產業投資基金管理有限公司 (Yanan Zhenxing Development Industry Investment Fund Management Co., Ltd.*) (collectively, the "**General Partners**") and Beiqing Smart and 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.*) (collectively, the "**Limited Partners**") entered into the partnership agreement (the "**Partnership Agreement**") in respect of, among other things, the formation and management of 延發北控信能(天津)股權投資合夥企業(有限合夥)(Yanfa Beikong Xinneng (Tianjin) Equity Investment Partnership Enterprise (Limited Partnership)*) (the "**Fund**"); and (ii) the General Partners and the Limited Partners entered into the supplemental agreement to the Partnership Agreement in relation to, among other things, the proposed investment of the Fund. Further details of the formation of the Fund are set out in the Company's announcement dated 16 July 2020.

(d) On 30 July 2020, the Company, Harvest Sunny and Beiqing Smart, both being subsidiaries of the Company, entered into a capital contribution agreement with the Second Investors, pursuant to which the Second Investors agreed to contribute new capital in the aggregate amount of RMB400 million in return for approximately 4.30% of the enlarged capital of Beiqing Smart.

Immediately following the completion of Second Capital Increase, Beiqing Smart was held as to approximately 89.25% by Harvest Sunny. Beiqing Smart would continue to be accounted as a subsidiary of the Company. The Second Capital Increase constitutes a deemed disposal by the Company of its interests in Beiqing Smart. Further details are set out in the Company's announcement dated 30 July 2020 and the circular dated 24 December 2020.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries, associated companies and joint ventures by the Group for the year ended 31 December 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fluctuation in currency exchange rates

The Group primarily operates its businesses in the PRC and most of its transactions are mainly denominated in RMB. The value of RMB against HK$ and other currencies may fluctuate and is affected by, among others, changes in the economic conditions and policies. The conversion of RMB into foreign currencies, including HK$, has been based on rates as promulgated by the People's Bank of China. The Group monitors foreign exchange exposures and takes appropriate measures to mitigate and manage the risk on a timely and effective manner by, including but not limited to, raising debt financing denominated in RMB to match the currency of operating cash flows.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. During the year, the Group steadily expanded the clean energy businesses, which require material funding in investment and development stages. In managing the liquidity risk, the Group, among others, (i) obtains long-term bank loans and other borrowings, issues perpetual capital instrument and corporate bond and introduced strategic capital investments in a subsidiary as detailed under the section headed "2.23 Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities; and (iii) timely monitors the settlements of receivables.

Policy risks

The Group's clean energy businesses are dependent on the relevant governmental support measures (including the preferential tax policies, subsidies and government grants, electricity generation dispatch priority, laws and regulations, etc.) for steady and healthy development. Although the Chinese government has been supportive to the growth of the clean energy businesses, it is possible that the existing governmental support measures will be modified. The Group will strictly cohere to the government measures and will closely monitor the policy planning to grasp the business opportunities and get understanding on the risks associated with the policy modifications in advance.

Other business risks

The risks and uncertainties on the Group's clean energy businesses, in particular the Photovoltaic Power Business and the Wind Power Business, also comprise (i) the risks on project performance; and (ii) grid curtailment risks. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks on project performance, the Group places significant emphasis on, among others, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) human capital and technical strengths; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of these businesses. On the other hand, in mitigating the curtailment risks, the Group strategically focuses on developing the Photovoltaic Power Business and the Wind Power Business in regions which are well-developed with power transmission network and with stronger economy and electricity demand, and in general do not have curtailment issue.

CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

The Group is dedicated to preserve environmental sustainability and combat climate change by strategically expanding into the Photovoltaic Power Business, the Wind Power Business, the Clean Heat Supply Business and other clean energy businesses, which offer clean energy and make valuable contributions to the widespread use of renewable energy. The Group is also committed to sustainable development of the environment, minimising the environmental impact of its operations by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management.

Compliance with relevant laws and regulations

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationship with stakeholders

The Group recognises that stakeholders including employees, shareholders and investors, customers, suppliers and contractors, government entities, industry partners and community partners are the key to corporate sustainability and is keen on developing long-term relationships with these stakeholders. Some examples on supporting and communicating with the stakeholders include:

(a) Employees : The Company adheres to the core values of "being responsible, having values and being sharing" and places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration packages, benefits and career development opportunities based on their merits and, performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

(b) Shareholders and investors : Details of which are set out in the section headed ''Investor Relations – Communication with shareholders" in the "Corporate Governance Report" of this annual report.

(c) Customers : The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

(d)	Suppliers and contractors	:	The Group is dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

Further details of the Group's commitment and strategies to sustainability and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core businesses of the Group for the year ended 31 December 2020 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2020, which will be published on the websites of the Company (www.bece.com.hk) and the Stock Exchange (www.hkexnews.hk) before the end of July 2021.

* *For identification purposes only*

FUTURE OUTLOOK

The year of 2021 marks the first year of China's implementation of the "14th Five-Year Plan" and the beginning of China's new journey to build a modern socialist country in an all-round way. In the context of the new domestic and international environment and situation, China faces both opportunities and challenges. The Group will stay committed to its mission of "promoting the revolution in energy production and consumption, building a clean, low-carbon, safe and efficient energy system", make overall plans for "CO2 Emissions Peak" and "Carbon Neutrality", contribute to China's accomplishment of "CO2 Emissions Peak" and "Carbon Neutrality" goals with enhanced determination, increased efforts and more pragmatic measures.

We shall forge ahead together through the journey. All of the Group's business partners are endeavouring to move forward steadily with macro development of the clean energy industry. We shall continue to strive in the new development stage by firmly implementing new development concepts and actively adapting ourselves to the new development pattern, always in the spirit of dedication. In 2021, the Group will continue to strengthen project development capabilities, aggressively expand professional entrusted services for operation and maintenance, ensure the safe operation of funds, deepen strategic transformation, optimise operation management, implement safety responsibility and build up high-performing teams to overcome difficulties, secure steady growth and help to achieve performance goals. The Group will also continue to push ahead with the high-quality development of clean energy in the new era with firm beliefs and solid actions, and promote the construction of a community with shared future for mankind in the global village so as to benefit all mankind and future generations.

* *For identification purposes only*

For the year ended 31 December 2021

1. BUSINESS REVIEW

During the year ended 31 December 2021 (the "**Year**"), the Group was principally engaged in the investment, development, construction, operation and management of Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business in the People's Republic of China (the "**PRC**").

Financial highlights:

	2021	**2020**	**Change**
	HK$'000	*HK$'000*	*%*
		(Restated)	
Revenue	6,023,419	5,551,791	8
Gross profit	2,576,523	2,662,864	(3)
Gross profit ratio *(%)*	42.8	48.0	(5.2)
(Loss)/profit for the Year	(288,834)	886,440	(133)
(Loss)/profit attributable to the equity holders of the Company	(321,312)	763,694	(142)
Basic (loss)/earnings per share *(in HK cent(s))*	(0.62)	1.08	(157)
EBITDA	2,941,853	3,523,450	(17)
Total assets	54,874,237	57,127,247	(4)
Total equity	12,082,054	13,124,890	(8)
Cash and cash equivalents	1,140,832	2,521,536	(55)

The coronavirus disease 2019 (COVID-19) pandemic continued to affect the global economies during the Year. Under the strong leadership of the CPC Central Committee with General Secretary Xi Jinping at its core, major strategic results have been achieved in the prevention and control of the pandemic, and thus China was not severely affected by the COVID-19 pandemic. While taking the pandemic prevention and control as part of new normal, more industry-related favourable policies continued to be introduced in China to accelerate the clean and efficient use of fossil energy, and vigorously promoted non-fossil energy to continuously increase the proportion of clean energy consumption and to promote the transformation of environmentally friendly and low-carbon production of energy.

The impact from the pandemic for the industries of the Group are relatively minor compared to other industries. As a clean energy project owner and operator, the Group was not affected by the economic adversity caused by the pandemic. The revenue contribution from the sale of electricity and entrusted operations businesses increased steadily. For the Year, the power generation of the Group on a consolidated basis amounted to approximately 4.8 million megawatt-hour ("**MWh**") (2020: approximately 3.8 million MWh), representing an increase of approximately 26% as compared with the corresponding period of last year. The aggregate operating power generation[#] of the projects held and/or managed by the Group, the associates and the joint ventures of the Group for 2021 was approximately 5.8 million MWh (2020: approximately 4.8 million MWh), representing an increase of approximately 19.5% as compared with the corresponding period of last year.

The Group's revenue and business structure have been successfully optimised by focusing on the power generation business with stronger sustainability, driving quality and efficiency enhancement of its existing projects, implementing cost control and efficiency enhancement by achieving further optimisation of its business mix in an active move to advance business structure with an objective to improve the Group's overall performance.

Loss for the Year of the Group was approximately HK$288.8 million (2020: profit of approximately HK$886.4 million). Loss attributable to the equity holders of the Company for the Year was approximately HK$321.3 million (2020: profit attributable to the equity holders of the Company of approximately HK$763.7 million (restated)). The decrease is mainly due to the following reasons: (i) the recognition of the impairments for the Group's property, plant and equipment, operating concessions and prepayments, deposits and other receivables, such impairments are only one-off and non-cash items during the Year; and (ii) the increase of interest on options granted to non-controlling interests recognised during the Year resulting in the increase in finance cost and deemed as one-off nature as the Group has previously obtained several rounds of capital contributions from certain strategic investors.

Excluding (i) the impairments for the Group's property, plant and equipment, operating concessions and financial assets and contract assets, net, which are one-off and non-cash items; and (ii) the recognition of the interest on options granted to non-controlling interests during the Year, which is one-off item, of approximately HK$1,127.9 million in aggregate (2020: approximately HK$75.9 million), profit for the Year of the Group was approximately HK$839.1 million, compared with that of approximately HK$962.3 million (after excluding non-recurring items) in last year. It can be seen that the Group continues to maintain a steady development for its operating activities.

[#] *The operating power generation included (i) the power generation of the projects held by the Group, the associates and the joint ventures of the Group; and (ii) the power generation of the projects managed by the Group through the provision of entrusted management services.*

Further details of the discussion of financial performance are set out in the section headed "2. Financial Performance" in "Management Discussion and Analysis". Analysis of the business performance is set out below.

1.1 Sale of Electricity and Entrusted Operations

During the Year, the Group steadily developed its operating capacity through the investment, development, construction, operation and management of clean energy power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK$4,136.6 million (2020: approximately HK$3,369.8 million), representing an increase of approximately 23% compared to the corresponding period of last year.

Pursuant to the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*"(《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in the first half of 2020, the rules for settlement of additional subsidies for renewable energy electricity prices as well as the conditions and application procedures for entering the list of national renewable energy power generation subsidies for the renewable energy power generation projects (the "**Project List**") were further clarified. In addition, the "Notice on the Acceleration of Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*''(《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in the second half of 2020, which emphasised acceleration of review on existing renewable energy power generation projects, and made sure that those projects should enter the Project List in batches as soon as possible.

As at 31 December 2021, the Group has several photovoltaic and wind power plants with aggregated capacity of approximately 2,900 megawatt ("**MW**") (2020: approximately 1,800MW) successfully enlisted in the Project List, representing over 80% (2020: over 50%) of the Group's current on-grid capacity. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future. The above notices show that the government is doing its best to solve the problem of arrears in subsidies for renewable energy power generation projects, which is beneficial to the betterment of the Group's cash flow. The Group will closely monitor and implement remaining project inventory declaration and national subsidies related works and will proactively promote the implementation of relevant strategies to improve the receipt of national subsidies.

During the Year, settlements of the renewable energy subsidies of those photovoltaic power plants and wind power plants held by the Group's subsidiaries in the amount of approximately HK$869.7 million (2020: approximately HK$725.9 million) were received.

In May 2021, the National Energy Administration (the "**NEA**") issued the "Notice on Relevant Matters of the Development and Construction of Wind Power and Photovoltaic Power Generation in 2021*"(《關於2021年風電、光伏發電開發建設有關事項的通知》), which clarified that the national wind power and photovoltaic power generation as a percentage to the total electricity consumption of the society will reach approximately 11% in 2021, and will increase year by year thereafter to ensure that non-fossil energy consumption as a percentage to primary energy consumption will reach approximately 20% in 2025. Newly guaranteed on-grid capacity shall not be lower than 90 million kilowatt in 2021.

In June 2021, the National Development and Reform Commission of the PRC (the "**NDRC**") issued the "Notice on Matters Relating to the New Energy On-grid Tariff Policy in 2021*"(《關於2021年新能源上網電價政策有關事項的通知》), which explicitly stated that starting from 2021, for newly filed centralised photovoltaic power plants, industrial and commercial distributed photovoltaic projects and newly approved onshore wind power projects, the central government will no longer provide subsidies and implement grid parity. A new energy grid parity era of the PRC has arrived, and the value of green power including photovoltaic power generation and wind power generation will gain a better response. The Directors believe that the wind power and photovoltaic power industries have entered into a marketised stage free of reliance on tariff adjustments, and the stability and predictability of the cash flow of the wind power and photovoltaic power projects in the future will be greatly enhanced. During the Year, the construction of the first grid parity project of the Group has been officially commenced. As at 31 December 2021, the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct grid parity projects reached over 500MW. Going forward, the Group will continue to actively promote the development of photovoltaic power and wind power grid parity projects.

In May 2021, the Ministry of Ecology and Environment promulgated several administrative rules (trial) relating to the carbon emissions rights, in order to promote the official launch of the national carbon emissions trading market in July 2021. The Group seizes the opportunity to participate in carbon emissions trading market. The Group is engaged in clean energy power generation and achieves low carbon emissions during the power generation process. The Group considers implementing effective carbon asset management with an aim of taking the lead in energy conservation and emissions reduction and maximising the carbon assets in hand to enhance corporate benefits.

1.1.1 Photovoltaic Power Plant Projects

(a) Scale and performance of the centralised photovoltaic power plant projects

During the Year, the Group's centralised photovoltaic power business operated steadily. The Group recorded revenue of approximately HK$2,503.7 million (2020: approximately HK$2,390.9 million) from the sale of electricity of the Group's centralised photovoltaic power plants, representing approximately 42% (2020: approximately 43%) of the Group's total revenue during the Year.

As at 31 December 2021, 52 (2020: 50) centralised photovoltaic power plants covering 13 provinces, 2 autonomous regions and 1 municipality in the PRC and 1 (2020: 1) centralised photovoltaic power plant in Whyalla, Southern Australia, Australia were held by the Group and in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,252MW (2020: 2,239MW), details of which are set forth below:

Location	Photovoltaic resource area	2021 Number of plants	2021 Approximate total on-grid capacity (MW)	2021 Approximate aggregate power generation (note 1) (MWh)	2020 Number of plants	2020 Approximate total on-grid capacity (MW)	2020 Approximate aggregate power generation (note 1) (MWh)
PRC–Subsidiaries:							
Hebei Province	II/III	17	575	742,465	16	572	671,863
Henan Province	III	3	264	330,230	3	264	333,254
Shandong Province	III	5	248	306,197	5	248	308,996
Guizhou Province	III	4	211	204,160	4	211	211,666
Anhui Province	III	6	191	224,340	6	191	202,544
Shaanxi Province	II	2	160	241,563	2	160	249,703
Jiangxi Province	III	3	125	131,131	3	125	125,212
Jiangsu Province	III	1	100	138,004	1	100	177,879
The Ningxia Hui Autonomous Region	I	1	100	146,924	1	100	145,809
Hubei Province *(note 2)*	III	3	70	49,270	2	43	41,063
Jilin Province	II	1	30	45,040	1	30	46,791
The Tibet Autonomous Region	III	1	30	43,811	1	30	40,524
Tianjin Municipality	II	1	30	40,231	1	30	44,772
Yunnan Province	II	1	22	32,026	1	22	30,794
Shanxi Province	III	1	20	29,322	1	20	28,373
Guangdong Province	III	1	10	843	–	–	–
		51	2,186	2,705,557	48	2,146	2,659,243
PRC–Joint ventures:							
Anhui Province	III	1	60	79,816	1	60	74,825
Hubei Province *(note 2)*	III	–	–	19,199	1	27	27,095
		1	60	99,015	2	87	101,920
PRC–Sub-total		52	2,246	2,804,572	50	2,233	2,761,163

Location	Photovoltaic resource area	2021 Number of plants	2021 Approximate total on-grid capacity (MW)	2021 Approximate aggregate power generation (note 1) (MWh)	2020 Number of plants	2020 Approximate total on-grid capacity (MW)	2020 Approximate aggregate power generation (note 1) (MWh)
Overseas–Subsidiary:							
Whyalla, Southern Australia, Australia	N/A	1	6	7,572	1	6	6,450
Total		53	2,252	2,812,144	51	2,239	2,767,613

Most of the Group's centralised photovoltaic power plant projects in the PRC were located in the east and central regions of the PRC; and were situated in photovoltaic resource areas II and III as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business. Set out below the projects analysis by photovoltaic resource areas:

Photovoltaic resource area	2021 Number of plants	2021 Approximate total on-grid capacity (MW)	2021 Approximate aggregate power generation (note 1) (MWh)	2020 Number of plants	2020 Approximate total on-grid capacity (MW)	2020 Approximate aggregate power generation (note 1) (MWh)
PRC–Subsidiaries:						
I	1	100	146,924	1	100	145,809
II	12	448	656,404	12	448	689,725
III	38	1,638	1,902,229	35	1,598	1,823,709
	51	2,186	2,705,557	48	2,146	2,659,243
PRC–Joint ventures:						
III	1	60	99,015	2	87	101,920
Total	52	2,246	2,804,572	50	2,233	2,761,163

Note 1: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full year performance of these operations.

Note 2: The project (the "**Hubei Project**") was jointly held by TJCE and 北京北控蘇銀股權投資管理中心(有限合夥)(Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*), ("**BE Suyin**"), a limited partnership established in August 2017 which was classified as a joint venture of the Group since 2017, and the power generation of the Hubei Project had been classified as the power generation of joint venture since 2017. The Group owned 65% subordinated interest in BE Suyin. Further details of the establishment of BE Suyin are set out in the Company's announcement dated 9 August 2017.

In the second half of 2021, pursuant to certain equity transfer agreements entered into between the Group and two partners of BE Suyin respectively, two partners of BE Suyin disposed of their entire equity interests in BE Suyin to the Group and the equity transfer (the "**BE Suyin Transaction**") was completed in September 2021. The Group owned 99.99% equity interest in BE Suyin upon the BE Suyin Transaction completed, and the power generation of the Hubei Project had been classified as the power generation of subsidiary since September 2021.

Note 3: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.77.

(b) Scale of the centralised photovoltaic power plant projects registered in the Project List

During the Year, settlements of the renewable energy subsidies of these centralised photovoltaic power plants held by the Group's subsidiaries in the amount of approximately HK$651.0 million (2020: approximately HK$630.4 million) were received. As at 31 December 2021, the Group's aggregate installed capacity of the centralised photovoltaic power plants registered into the Project List reached approximately 1,950MW (2020: approximately 1,300MW). The remaining centralised photovoltaic power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining centralised photovoltaic power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future.

(c) Key performance data of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the reporting period

	2021	**2020**	**Changes**
Weighted average utilisation ratio *(%)*	97.32	97.63	(0.31)
Weighted average utilisation hours *(hours)*	1,259	1,280	(21)

During the Year, the weighted average utilisation hours of the Group reached 1,259 hours, which was higher than the national average utilisation hours of photovoltaic power of 1,163 hours in the PRC. The decrease of weighted average utilisation ratio noted during the Year as compared to the corresponding period of last year was mainly attributable to the lower utilisation ratio from the centralised photovoltaic power plant projects of the Group located in Guizhou Province and Shaanxi Province.

(d) Scale and performance of the distributed photovoltaic power plant projects

In respect of the distributed photovoltaic power business, as at 31 December 2021, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation reached approximately 700MW (2020: approximately 700MW), mainly located in photovoltaic resource area III as promulgated by the NDRC such as Henan Province, Jiangsu Province, Shandong Province, Hebei Province and Anhui Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity of the Group's distributed photovoltaic power plants reached approximately HK$622.3 million during the Year (2020: approximately HK$455.3 million).

(e) Scale of the distributed photovoltaic power plant projects registered in the Project List

During the Year, settlements of the renewable energy subsidies of these distributed photovoltaic power plants held by the Group's subsidiaries in the amount of approximately HK$154.2 million (2020: approximately HK$57.9 million) were received. As at 31 December 2021, the Group's aggregate installed capacity of the distributed photovoltaic power plants registered into the Project List reached approximately 550MW (2020: approximately 300MW). The remaining distributed photovoltaic power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining distributed photovoltaic power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future.

(f) Entrusted management services

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK$7.5 million (2020: approximately HK$90.0 million) was recognised during the Year.

1.1.2 Wind Power Plant Projects

Reviewing the year of 2021, the central government unprecedentedly included "Carbon Dioxide Emissions Peak" and "Carbon Neutrality" in its overall planning for the construction of ecological civilisation and called for the accelerated establishment of an economic regime featuring low-carbon green recycling development. Under the situation and requirements of strictly controlling the total amount and intensity of traditional energy consumption and continuous improvement of the ecological environment, especially the announcement of accomplishment of the "double carbon" targets ("**Carbon Dioxide Emissions Peak**" and "**Carbon Neutrality**"), wind power as a green and clean energy, will become one of the main strategic energies in the PRC in the future.

With the Group's expertise and professional team in, among others, investing, developing and managing wind and other clean energy power businesses, the Group is optimistic on continuously developing its Wind Power Business to contribute effort in building up a green future of the PRC.

(a) Scale and performance of the wind power plant projects

During the Year, the Group's Wind Power Business expanded steadily. The Group recorded revenue of approximately HK$815.9 million (2020: approximately HK$322.1 million) from the sale of electricity of the Group's wind power plants, representing an increase of approximately 153% as compared with the corresponding period of last year.

As at 31 December 2021, through self-development, joint development and acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached over 1,400MW. These projects mainly located in Hebei Province, Henan Province and Shandong Province, and mainly situated in wind resource area IV as promulgated by the NDRC. Among which, 13 (2020: 11) wind power plants covering 4 provinces and 1 autonomous region in the PRC with an aggregate on-grid capacity of 588MW (2020: 438MW) were held by the Group and in operation as at 31 December 2021, which is analysed below:

		2021			2020		
Location	Wind resource area	Number of plants	Approximate total on-grid capacity	Approximate aggregate power generation *(note 1)*	Number of plants	Approximate total on-grid capacity	Approximate aggregate power generation *(note 1)*
			(MW)	*(MWh)*		*(MW)*	*(MWh)*
PRC–Subsidiaries:							
Henan Province	IV	5	171	421,101	5	171	135,214
Shandong Province	IV	2	148	213,560	1	48	98,988
The Inner Mongolia Autonomous Region	I	4	119	416,558	4	119	378,415
Hebei Province	IV	1	100	282,586	1	100	37,712
Shanxi Province	IV	1	50	87,684	–	–	–
Total		13	588	1,421,489	11	438	650,329

Most of the Group's wind power plant projects in the PRC were situated in wind resource area IV as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Wind Power Business.

During the Year, the wind power generation of the Group on a consolidated basis amounted to approximately 1.42 million MWh (2020: approximately 0.65 million MWh), representing an increase of approximately 118.6% as compared with the corresponding period of last year. Set out below the projects analysis by wind resource areas:

	2021			2020		
Wind resource area	**Number of plants**	**Approximate total on-grid capacity**	**Approximate aggregate power generation**	**Number of plants**	**Approximate total on-grid capacity**	**Approximate aggregate power generation**
			(note 1)			*(note 1)*
		(MW)	*(MWh)*		*(MW)*	*(MWh)*
PRC–Subsidiaries:						
I	4	119	416,558	4	119	378,415
IV	9	469	1,004,931	7	319	271,914
Total	13	588	1,421,489	11	438	650,329

Note 1: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full year performance of these operations.

Note 2: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects was approximately RMB0.48.

(b) Scale of the wind power plant projects registered in the Project List

During the Year, settlements of the renewable energy subsidies of these wind power plants held by the Group's subsidiaries in the amount of approximately HK$64.5 million (2020: approximately HK$37.6 million) were received. As at 31 December 2021, the Group's aggregate installed capacity of the wind power plants registered into the Project List reached approximately 400MW (2020: approximately 200MW). The remaining wind power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining wind power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future.

(c) *Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period*

	2021	**2020**	**Changes**
Weighted average utilisation ratio *(%)*	97.21	97.00	0.21
Weighted average utilisation hours *(hours)*	2,902	2,955	(53)

During the Year, the weighted average utilisation hours of the Group reached 2,902 hours, which was higher than the national average utilisation hours of wind power of 2,246 hours in the PRC. The Group's wind power plant projects are mainly located in wind resource area IV as promulgated by the NDRC and therefore with a higher average utilisation hours. During the Year, the weighted average utilisation ratio of the Group was 97.21%, which was higher than the national average utilisation ratio of wind power of 96.9% in the PRC. The improvement of weighted average utilisation ratio during the Year as compared to the corresponding period of last year was mainly attributable to more wind power plant projects of the Group commenced to be operated in Henan Province and Hebei Province which are located in wind resource area IV.

(d) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK$181.0 million (2020: approximately HK$111.5 million) was recognised during the Year.

1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has couples of qualification and extensive experience in the design, engineering and construction of power-related projects. At the same time, the Group pays much attention to self-owned photovoltaic and wind power-related project construction, which can optimise the resource allocation during the Year. Therefore, revenue of approximately HK$654.4 million (2020: approximately HK$802.0 million) in aggregate arising from the provision of engineering, procurement and construction services was recognised during the Year, representing 11% (2020: 15%) of the Group's total revenue during the Year and a decrease of 18% as compared to the corresponding period of last year.

In addition, certain photovoltaic power plants and clean heat supply projects on a build-operate-transfer basis (the "**BOT Basis**") were under construction during the Year. With reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements, construction revenue of approximately HK$71.0 million (2020: approximately HK$246.6 million) was recognised during the Year with reference to the fair value of construction services delivered during the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of the relevant service concession agreements.

In respect of the technical consultancy services, as a result from the optimisation of the resource allocation of the Group, less efforts spent by the Group during the Year to explore opportunities from other industry participants in this business sector. Revenue of approximately HK$69.0 million (2020: approximately HK$172.9 million) was recognised during the Year and a decrease of 60% as compared to the corresponding period of last year.

1.3 Provision of Clean Heat Supply Services

At the 75th session of the United Nations General Assembly, the General Secretary Xi Jinping pointed out that more forceful policies and measures to the fight against climate change will be adopted in the PRC. It aims to achieve the goal of "Carbon Dioxide Emissions Peak" by 2030 and the vision of "Carbon Neutrality" by 2060. This signifies that the central government is taking practical actions to enforce the United Nations Framework Convention on Climate Change and the Paris Agreement, and is determined to implement green, low-carbon, safe and efficient utilisation of energy, and emission-reducing production methods. With the introduction of the "14th Five-Year Plan", China's clean heat supply policy will continue to flourish, and heat supply methods that are environmentally friendly, energy efficient, appropriate and conducive to support urban development, which will become the future of the heat supply industry.

With existing supportive government policies issued, such as the "Notice on Improving the Work Related to Heating by Renewable Energy Based on Local Conditions*"(《關於因地制宜做好可再生能源供暖相關工作的通知》) issued by the NEA in January 2021, which encouraged the local governments to actively support renewable energy heating projects; and the "China Energy Expected Goals in 2021*"(《2021年能源工作指導意見》) issued by the NEA in April 2021, which stated to intensify the action on clean heat supply to achieve a clean heat supply rate of 70% in the northern region in the PRC. In addition, pursuant to the "Opinions on Complete and Accurate Implementation of the New Development Concept and Full Preparation on the Works of Carbon Dioxide Emissions Peak and Carbon Neutrality*"(《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) issued by the State Council of the PRC in October 2021, which steadily promoted clean and low-carbon heat supply methods, such as heat pumping, natural gas, biomass energy and geothermal energy based on local conditions. The Clean Heat Supply Business shall have a favourable business prospects.

The Group will actively respond to national policies, seize the opportunities arising from the new round of industrial revolution, vigorously develop our clean heat supply business, continuously increase our investments in technology research and development, actively explore green, low-carbon and environmentally friendly clean heat supply methods. As at 31 December 2021, through self-development and acquisitions, 14 projects (2020: 15 projects) in operation with an aggregate actual clean heat supply area reached approximately 49.7 million square meters ("**sq.m.**") (2020: approximately 29.1 million sq.m.), representing a year-on-year increase of 70.4%; and the number of clean heat supply services users of approximately 310,478 households (2020: approximately 228,108 households), representing a year-on-year increase of 36.1%, with its projects locating in Henan Province, Jiangsu Province, Shanxi Province, Shaanxi Province, Liaoning Province, the Ningxia Hui Autonomous Region and other provinces and autonomous regions were held and/or managed by the Group and the joint ventures of the Group through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission), river water source, etc. Revenue of approximately HK$1,092.4 million (2020: approximately HK$960.5 million) arising from the provision of clean heat supply services was recognised by the Group during the Year, representing an increase of approximately 14% as compared to the corresponding period of last year.

Among them, details of actual clean heat supply area and number of clean heat supply services users of the projects in operation which were held and/or managed by the Group and the joint ventures of the Group are as follows:

Location	**Approximate actual clean heat supply area**			**Approximate clean heat supply services users**		
	31 December 2021	**31 December 2020**	**Change**	**31 December 2021**	**31 December 2020**	**Change**
	('000 sq.m.)	*('000 sq.m.)*	*(%)*	*(households)*	*(households)*	*(%)*
Northeast region, China	27,067	7,694	251.8	141,609	76,999	83.9
North region, China	13,991	13,684	2.2	107,611	108,936	(1.2)
Northwest region, China	6,627	5,977	10.9	48,519	27,683	75.3
East and Central regions, China	1,987	1,792	10.9	12,739	14,490	(12.1)
Total	49,672	29,147	70.4	310,478	228,108	36.1

1.4 Other Clean Energy Businesses

The Group has been exploring other clean energy businesses such as multi-energy complement, hydropower, energy storage, distribution and sales of electricity, hydrogen production and other business lines, and exploring international opportunities for strategic development and diversification, with an aim to become a leading integrated clean energy service provider. During the Year, the Group has also entered into several strategic cooperation agreements with certain local governments and well-established enterprises, and proactively established integrated partnerships to seek joint development in the field of clean energy for the purpose of mutual benefits and complementarity.

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK$6,023.4 million (2020: approximately HK$5,551.8 million) during the Year, representing an increase of approximately 8% as compared to the corresponding period of last year. For the Year (i) revenue from the sale of electricity and entrusted management services reached approximately HK$4,136.6 million (2020: approximately HK$3,369.8 million) in aggregate, representing an increase of approximately 23% as compared to the corresponding period of last year; and (ii) revenue from construction services was approximately HK$725.4 million (2020: approximately HK$1,048.6 million), representing a decrease of approximately 31% as compared to the corresponding period of last year.

The gross profit performance by business nature is set out below:

	2021			2020		
	Revenue	Gross profit ratio	Gross profit	Revenue	Gross profit ratio	Gross profit
	(HK$ million)	*(%)*	*(HK$ million)*	*(HK$ million)*	*(%)*	*(HK$ million)*
Sale of electricity						
Photovoltaic Power Business	3,126.0	58.0	1,814.1	2,846.2	68.6	1,953.5
Wind Power Business	815.9	65.3	532.8	322.1	62.2	200.3
Construction services	725.4	5.2	37.4	1,048.6	22.7	237.9
Technical consultancy services	69.0	39.1	27.0	172.9	60.7	105.0
Entrusted operations	194.7	35.6	69.3	201.5	38.3	77.1
Provision of clean heat supply services	1,092.4	8.8	95.9	960.5	9.3	89.0
Total	6,023.4	42.8	2,576.5	5,551.8	48.0	2,662.8

Analysis of the above businesses are set out in the section headed "1. Business Review" in "Management Discussion and Analysis".

Gross profit for the sale of electricity increased from approximately HK$2,153.8 million for the year ended 31 December 2020 to approximately HK$2,346.9 million during the Year, representing 91% (2020: 81%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group's total gross profit was mainly attributable to the steady development of the Group's operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction services to the Group's total gross profit was 2% (2020: 9%) during the Year.

The overall gross profit ratio for the Year was 42.8% (2020: 48.0%). The decrease was mainly due to the decrease in gross profit from the non-core businesses such as construction services and technical consultancy services during the Year. The Group's total gross profit for the Year was comparable to the corresponding period of last year.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK$216.9 million (2020: approximately HK$206.3 million) during the Year, which mainly comprised (i) interest income of approximately HK$16.6 million (2020: approximately HK$43.1 million); (ii) government grants of approximately HK$57.2 million (2020: approximately HK$108.4 million); and (iii) reversal of impairment of interest in an associate of approximately HK$53.6 million (2020: Nil).

2.3 Administrative expenses

The increase in administrative expenses for the Year to approximately HK$512.1 million (2020: approximately HK$388.6 million), which was mainly attributable to the increases in staff costs during the Year as a result of the expansion of the Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business.

2.4 Other operating expenses, net

The increase in other operating expenses from HK$157.1 million in 2020 to HK$1,081.9 million during the Year were mainly attributable to one-off and non-cash items of (i) the recognition of the impairments for the Group's property, plant and equipment and operating concessions of approximately HK$299.7 million (2020: Nil); and (ii) the recognition of the impairments for the Group's prepayments, deposits and other receivables of approximately HK$561.4 million (2020: Nil).

The recognition of the impairments for the Group's property, plant and equipment and operating concessions was arisen from relevant impairment tests performed for the fixed assets of the Group's projects with impairment indicator(s), based on the principle of prudence, in order to reflect the financial position and the operating performance of the Group in an objective and fair manner. Due to the unexpected performance changes in individual projects, resulting in impairment indication(s) for the fixed assets from the respective projects.

The recognition of the impairments for the Group's prepayments, deposits and other receivables was due to the failure of repayment on agreed schedule from certain parties of the other receivables. The Group had recognised impairments on these affected balances, taking into consideration the aging of such receivables and the repayment ability of the relevant defaulters.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK$195.0 million to approximately HK$1,518.7 million (2020: approximately HK$1,323.7 million) was mainly attributable to (i) the decrease in interests capitalised during the Year; and (ii) the increase of interest on options granted to non-controlling interests recognised during the Year, which deemed as one-off nature as the Group has previously obtained several rounds of capital contributions from certain strategic investors.

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding years. The decrease in income tax expense during the Year was mainly due to deferred tax income provided for impairments for the Group's property, plant and equipment, operating concessions and prepayments, deposits and other receivables.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to the net effect of (i) the acquisition and development of clean energy projects; and (ii) depreciation provided during the Year.

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office in Hong Kong and were leased to an independent third party.

2.9 Goodwill

It was attributable to the acquisition of subsidiaries since 2016.

2.10 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plants and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) Business Combinations. The decrease in operating concessions was mainly attributable to the impairment provided for a photovoltaic power plant during the Year, and the increase in operating rights was mainly attributable to the net effect of (i) the acquisition of clean energy businesses; and (ii) amortisation provided for during the Year.

2.11 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses.

2.12 Investments in associates

It mainly represented (i) the Group's investment in 北清環能集團股份有限公司 (BECE Legend Group Co., Ltd*) (formerly known as 四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*)) (a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: SZ.000803)), an associate owned as to 19.45% interest by the Group and was principally engaged in the organic waste hazard-free treatment and high-value resource utilisation business, the clean heat supply business and the energy performance contracting business; and (ii) the Group's investment in 北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd*), an associate owned as to 15% interest by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC. The increase was mainly attributable to the net effect of (i) share of profit and losses of associates; and (ii) deemed disposal loss arisen from BECE Legend Group Co., Ltd during the Year.

2.13 Other non-current assets

It represented materials and equipment sold and delivered to independent third parties for the development of wind power plant projects.

2.14 Contract assets

Contract assets as at 31 December 2021 of approximately HK$1,354.0 million (2020: approximately HK$3,477.6 million) represented (i) gross receivables of approximately HK$572.5 million (2020: approximately HK$1,270.5 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects; (ii) gross receivables of approximately HK$839.1 million (2020: approximately HK$2,244.0 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Project List; and (iii) loss allowances of contract assets of approximately HK$57.6 million (2020: approximately HK$36.9 million). The decrease in contract assets was mainly attributable to net effect of (i) the increase in the clean energy projects registered into the Project List; and (ii) the decrease in the extent of construction services provided for and settlements from customers during the Year.

2.15 Trade and bills receivables

Trade and bills receivables of approximately HK$10,006.8 million (2020: approximately HK$7,057.9 million) as at 31 December 2021 were mainly comprised (i) gross receivables from the sale of electricity of the photovoltaic and wind power plant projects of approximately HK$8,073.7 million (2020: approximately HK$4,851.7 million); (ii) gross receivables from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK$1,494.3 million (2020: approximately HK$1,460.0 million); and (iii) loss allowances of trade and bills receivables of approximately HK$73.8 million (2020: approximately HK$35.8 million).

As at 31 December 2021, gross trade receivables for the sale of electricity of the photovoltaic and wind power plant projects mainly comprised (i) receivables of approximately HK$380.8 million (2020: approximately HK$380.7 million) from the sale of electricity mainly to State Grid Corporation of China, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK$7,646.6 million (2020: approximately HK$4,421.7 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Project List.

2.16 Prepayments, deposits and other receivables, and other tax recoverables

The decrease in prepayments, deposits and other receivables and other tax recoverables by approximately HK$3,734.3 million in aggregate (non-current portion decreased by approximately HK$2,993.0 million and current portion decreased by approximately HK$741.3 million in aggregate respectively) to approximately HK$7,153.8 million (2020: approximately HK$10,888.1 million) in aggregate was mainly attributable to (i) the decreases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects; (ii) the decrease in the input value-added-tax recoverables arising from the utilisation of input value-added-tax recoverables from sale of electricity; and (iii) impairments for prepayments, deposits and other receivables.

2.17 Cash and cash equivalents

The decrease in cash and cash equivalents by approximately HK$1,380.7 million to approximately HK$1,140.8 million (2020: approximately HK$2,521.5 million) was mainly attributable to net effect of (i) the redemption of corporate bonds and the perpetual capital instrument; (ii) cash outflow on developing, acquiring and operating clean energy projects; and (iii) net cash inflow from daily operating activities during the Year.

2.18 Trade and bills payables

Trade and bills payables of approximately HK$3,296.1 million (2020: approximately HK$5,898.1 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services for the development of clean energy projects.

2.19 Other payables and accruals

Other payables and accruals of approximately HK$2,363.8 million (2020: approximately HK$4,208.2 million) decreased by approximately HK$1,844.4 million, which was mainly due to the net effect of (i) increase in construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) settlement of the construction and equipment payable of projects acquired or under development by the Group during the Year.

2.20 Other current liabilities and other non-current liabilities

Other current liabilities represented a financial liability of approximately HK$1,577.9 million (2020: Nil) mainly arising from an option granted to the First Round Investors, the Second Round Investors and the Third Round Investor (as hereinafter defined under the section headed "2.23 Liquidity and financial resources – (c) Capital contribution" in "Management Discussion and Analysis"). Other non-current liabilities mainly comprised (i) deferred income of approximately HK$1,547.6 million (2020: approximately HK$943.5 million) arising from the materials and equipment sold and delivered to independent third parties for the development of wind power plant projects; and (ii) a financial liability of approximately HK$1,227.1 million (2020: approximately HK$1,404.3 million) mainly arising from an option granted to the Fourth Round Investors (as hereinafter defined under the section headed "2.23 Liquidity and financial resources – (c) Capital contribution" in "Management Discussion and Analysis"). Further details of the option are set out in the Company's announcements dated 27 December 2019, 30 July 2020, 26 March 2021 and 17 September 2021 and the Company's circular dated 24 December 2020.

2.21 Interest-bearing bank loans and other borrowings, corporate bonds (excluding operating leases)

Interest-bearing bank loans and other borrowings, corporate bonds and lease liabilities, of approximately HK$31,216.9 million (2020: approximately HK$29,661.3 million) in aggregate increased by approximately HK$1,555.6 million in aggregate (non-current portion decreased by approximately HK$3,441.4 million and current portion increased by approximately HK$4,997.0), which was mainly attributable to the net effect of (i) the drawdown of bank loans and other borrowings for the development of the clean energy businesses; (ii) the repayment of bank loans and other borrowings; and (iii) the redemption of partial portions of corporates bonds during the Year.

2.22 Capital expenditures

During the Year, the Group's total capital expenditures amounted to approximately HK$2,411.8 million (2020: approximately HK$5,088.5 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK$1,423.3 million (2020: approximately HK$2,490.5 million) in aggregate; (ii) acquisition of other intangible assets of approximately HK$3.5 million (2020: approximately HK$1.1 million); and (iii) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK$985.0 million (2020: approximately HK$2,596.9 million).

2.23 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). Surplus cash is generally placed in short-term deposits denominated in HK$ and RMB.

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK$1,140.8 million (2020: approximately HK$2,521.5 million).

Developments of the clean energy businesses require intensive initial capital investments and the Group funds such developments during the Year mainly by (i) long-term bank loans and other borrowings; (ii) corporate bonds; and (iii) capital contribution(s) as illustrated below.

(a) Long-term bank loans and other borrowings, corporate bonds (excluding operating leases)

As at 31 December 2021, the Group's total borrowings of approximately HK$31,216.9 million (2020: approximately HK$29,661.3 million) comprised (i) bank loans of approximately HK$15,462.0 million (2020: approximately HK$13,527.8 million); (ii) corporate bonds of approximately HK$1,188.4 million (2020: approximately HK$1,696.3 million); and (iii) lease liabilities under finance lease arrangements and other loans of approximately HK$14,566.5 million (2020: approximately HK$14,437.2 million). Approximately 64% (2020: approximately 79%) of the Group's borrowings are long-term borrowings.

(b) Corporate bonds

A corporate bond (the "**First Corporate Bond**") with an aggregate principal amount of RMB500,000,000 was issued by the Company to certain institutional investors on 6 December 2019, bearing interest at a rate of 5.99% per annum. The First Corporate Bond is unsecured and repayable on 6 December 2022. One year prior to the maturity pursuant to the terms and conditions in the subscription agreement of the First Corporate Bond, the Company shall be entitled to adjust the coupon rate of the First Corporate Bond and the bond holders shall be entitled to sell back the First Corporate Bond to the Company. Further details of the corporate bond are set out in the Company's announcement dated 6 December 2019. In December 2021, the Company redeemed the principal amount of RMB460,000,000 from the bond holder, the remaining portion of the principal amount of RMB40,000,000 will be repayable on 6 December 2022 and classified as current liabilities as at 31 December 2021. Further details of the First Corporate Bond are set out in the Company's announcement dated 2 December 2021.

A corporate bond (the "**Second Corporate Bond**") with an aggregate principal amount of RMB900,000,000 was issued by the Company to certain institutional investors on 29 April 2020, bearing interest at a rate of 5.50% per annum. The Second Corporate Bond is unsecured and repayable on 29 April 2023. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the Second Corporate Bond and the bond holders shall be entitled to sell back the Second Corporate Bond to the Company. Further details of the Second Corporate Bond are set out in the Company's announcement dated 30 April 2020.

(c) Capital contribution

Subsequent to the capital contribution in Beiqing Smart in the aggregate amount of RMB600 million (the "**First Round Capital Increase**") by 天津市平安消費科技投資合夥企業(有限合夥)(Tianjin Ping An Consumption Technology Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精投資合夥企業(有限合夥)(Jiaxing Zhijing Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精恒錦投資合夥企業(有限合夥)(Jiaxing Zhijing Hengjin Investment Partnership Enterprise (Limited Partnership)*) and 嘉興智精恒睿投資合夥企業(有限合夥)(Jiaxing Zhijing Hengrui Investment Partnership Enterprise (Limited Partnership)*) (collectively the "**First Round Investors**") in December 2019, on 30 July 2020, the Company, Harvest Sunny International Limited ("**Harvest Sunny**") and Beiqing Smart, both being subsidiaries of the Company, entered into a capital contribution agreement with 深圳市海匯全贏投資諮詢合夥企業(有限合夥)(Shenzhen Haihui Quanying Investment Consulting Partnership Enterprise (Limited Partnership)*) and 啟鷺(廈門)股權投資合夥企業(有限合夥)(Qilu (Xiamen) Equity Investment Partnership Enterprise (Limited Partnership)*) (the "**Second Round Investors**"), pursuant to which the Second Round Investors agreed to contribute new capital in the aggregate amount of RMB400 million in return for approximately 4.30% of the enlarged capital of the Beiqing Smart (the "**Second Round Capital Increase**").

In December 2020, Beiqing Smart conducted a further round of capital increase where 橙葉智成(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhicheng (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*) (the "**Third Round Investor**") contributed new capital in the amount of RMB100 million to Beiqing Smart (the "**Third Round Capital Increase**").

On 26 March 2021, the Company, Tianjin Fuqing and Beiqing Smart, both being subsidiaries of the Company, entered into nine capital contribution agreements with 蕪湖建信鼎信投資管理中心(有限合夥)(Wuhu CCB Trust Dingxin Investment Management Centre (Limited Partnership)*), 譽華融投聯動(廈門)投資合夥企業(有限合夥)(Yuhua Rongtou Linkage (Xiamen) Investment Partnership Enterprise (Limited Partnership)*), 南昌市紅穀灘新區航投譽華股權投資中心(有限合夥)(Nanchang Honggutan New District Hangtou Yuhua Equity Investment Centre (Limited Partnership)*), 橙葉志嘉(淄博)股權投資基金中心(有限合夥)(Orange Leaf Zhijia (Zibo) Equity Investment Fund Centre (Limited Partnership)*), 橙葉智通(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhitong (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*), 橙葉智鴻(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhihong (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*), Great First (Hong Kong) Limited ("**Great First**"), 寧波梅山保稅港區鈞源三號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Junyuan No. 3 Equity Investment Partnership Enterprise (Limited Partnership)*) ("**Ningbo Junyuan**"), 寧波梅山保稅港區鈞源五號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Junyuan No. 5 Equity Investment Partnership Enterprise (Limited Partnership)*), and 天津富騰企業管理合夥企業(有限合夥)(Tianjin Futeng Enterprise Management Partnership (Limited Partnership)*) (the "**Fourth Round Investors**"), pursuant to which the Fourth Round Investors agreed to contribute new capital in the aggregate amount of RMB1,076.17 million in return for approximately 9.14% of the enlarged capital of the Beiqing Smart (the "**Fourth Round Capital Increase**").

The Fourth Round Capital Increase has been completed during the Year. Immediately following the completion of the Fourth Round Capital Increase, Beiqing Smart was held as to approximately 80.24% by Harvest Sunny and would continue to be accounted as a subsidiary of the Company. All of the First Round Capital Increase, the Second Round Capital Increase, the Third Round Capital Increase and the Fourth Round Capital Increase constitute deemed disposals by the Company of its interests in Beiqing Smart under Chapter 14 of the Listing Rules. Further details are set out in the Company's announcements dated 27 December 2019, 30 July 2020, 26 March 2021 and 17 September 2021 and the Company's circular dated 24 December 2020.

As majority of the funding derives from equity fundings from shareholders in prior years, long-term borrowings and the corporate bonds, the Group recorded net current liabilities position of approximately HK$2,570.4 million (2020: net current assets position of approximately HK$1,049.3 million) as at 31 December 2021.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 31 December 2021, the Group had unutilised banking facilities of approximately HK$3,772.0 million in aggregate with terms ranging from repayable on demand to 15 years.

The Group's net gearing ratio, which was calculated by dividing net debt (defined as the corporate bonds, bank loans and other borrowings, net of cash and cash equivalents and other lease liabilities) by the sum of net debt and total equity, was approximately 71% (2020: approximately 67%) as at 31 December 2021. The increase in net gearing ratio was mainly due to the increase in bank loans and other borrowings for the purpose of funding the development of the clean energy businesses.

MATERIAL ASSETS REORGANISATION

On 15 March 2021, Beiqing Smart, an indirect non-wholly owned subsidiary of the Company, entered into an agreement of Intent on Material Assets Reorganisation with SEC Electric pursuant to which Beiqing Smart and SEC Electric proposed to undertake a material asset swap transaction, whereby SEC Electric will use all or part of its assets, liabilities and businesses to swap with the equivalent value of part of the equity interests of Beiqing Smart held by Tianjin Fuqing, an indirect wholly-owned subsidiary of the Company and one of the direct shareholders of Beiqing Smart (the "**Asset Swap**"). Upon completion of the Asset Swap, SEC Electric will acquire all the remaining equity interests of Beiqing Smart from all the shareholders of Beiqing Smart through the issuance of A-shares of SEC Electric. Further details are set out in the Company's announcement dated 15 March 2021.

On 26 March 2021, SEC Electric, Tianjin Fuqing, Other Beiqing Smart Shareholders and Existing SEC Electric Shareholders entered into the material asset framework agreement dated 26 March 2021 with, among others, Tianjin Fuqing, SEC Electric, the Existing SEC Electric Shareholders and the Other Beiqing Smart Shareholders in relation to, among others, the Asset Swap; the disposal of the all remaining equity interest of Beiqing Smart held by Tianjin Fuqing and the Other Beiqing Smart Shareholders to SEC Electric; and the new ordinary share(s) in the share capital of SEC Electric to be issued to Tianjin Fuqing and the Other Beiqing Smart Shareholders to satisfy the consideration payable by SEC Electric to Tianjin Fuqing and the Other Beiqing Smart Shareholders; and the proposed transfer of part of SEC Electric Shares from the Existing SEC Electric Shareholders to Tianjin Fuqing. Further details are set out in the Company's announcement dated 26 March 2021.

On 24 September 2021, Tianjin Fuqing, and the Other Beiqing Smart Shareholders entered into an agreement of reorganisation with SEC Electric and the Existing SEC Electric Shareholders under which:

(i) SEC Electric will transfer all of its assets and liabilities (other than assets of SEC Electric that SEC Electric will not transfer to its subsidiary 無錫中電電機科技有限公司 (Wuxi SEC Electric Technology Co., Ltd.*) (the "**Disposed SEC Electric Subsidiary**") upon the completion of the Proposed Reorganisation (the "**Retained Assets of SEC Electric**")) to the Disposed SEC Electric Subsidiary, and will use 60% of the equity interests of the Disposed SEC Electric Subsidiary to exchange for 3.11% of the equity interests held by Tianjin Fuqing in Beiqing Smart. Tianjin Fuqing will purchase the remaining 40% equity interests in the Disposed SEC Electric Subsidiary for cash consideration of RMB254,400,000;

(ii) Tianjin Fuqing and the Other Beiqing Smart Shareholders will sell the Other Beiqing Smart interest, representing 96.89% of the equity interests in Beiqing Smart, to SEC Electric for RMB11,876,598,100, which will be satisfied by SEC Electric by way of the issuance of an aggregate of 1,175,900,807 new SEC Electric shares at the issue price of RMB10.10 per SEC Electric share to each of Tianjin Fuqing and the Other Beiqing Smart Shareholders; and

(iii) the Existing SEC Electric Shareholders, will transfer 31,304,347 existing SEC Electric shares which held by them at the consideration of RMB12.19 per SEC Electric share, representing the 13.31% of the equity interests in SEC Electric to Tianjin Fuqing for the aggregate consideration of approximately RMB381,600,000, which will be satisfied by Tianjin Fuqing procuring SEC Electric to transfer 60% of the equity interests in the Disposed SEC Electric Subsidiary to the Existing SEC Electric Shareholders or the nominee designated by the Existing SEC Electric Shareholders. The Existing SEC Electric Shareholders will also acquire the remaining 40% of the equity interests in the Disposed SEC Electric Subsidiary from Tianjin Fuqing for a cash consideration of RMB254,400,000.

Upon completion of the Proposed Reorganisation, Beiqing Smart will become a wholly-owned subsidiary of SEC Electric and Tianjin Fuqing will become the controlling shareholder of SEC Electric holding approximately 68.55% of the equity interests of SEC Electric as enlarged by the allotment and issuance of the Consideration Shares, and the Existing SEC Electric Shareholders will hold the entire equity interest in the Disposed SEC Electric Subsidiary. Accordingly, SEC Electric will become an indirect non-wholly owned subsidiary of the Company focusing on the businesses of investment and development of photovoltaic power plants and wind power plants in the PRC.

On 25 February 2022, Tianjin Fuqing, Beiqing Smart, the Other Beiqing Smart Shareholders, the Existing SEC Electric Shareholders and SEC Electric entered into the Termination Agreement in relation to the Proposed Reorganisation, pursuant to which the parties have mutually agreed to terminate the Proposed Reorganisation. Upon the entering into of the Termination Agreement and save as agreed among the parties on the responsibilities for the payment of the expenses for professional services in relation to the Proposed Reorganisation incurred, the parties will be released from any rights and obligations under the agreements and documents entered into in relation to the Proposed Reorganisation.

As at the date of this report, the business operations of the Company remain normal. The Company will further evaluate its financial positions and the future development plan of the Group. Further details are set out in the Company's announcements dated 15 October 2021, 25 January 2022, 26 January 2022, 17 February 2022 and 25 February 2022.

CHARGE ON THE GROUP'S ASSETS

The secured bank loans and other borrowings and bills payables of the Group as at 31 December 2021 are secured by:

(i) pledges over certain of the Group's property, plant and equipment and operating concessions;

(ii) pledges over certain of the Group's trade receivables and contract assets;

(iii) pledges over the Group's equity interests in certain subsidiaries and an associate;

(iv) guarantees given by the Company and/or its subsidiaries; and/or

(v) pledges over certain of the Group's bank balances.

Save as disclosed above, at 31 December 2021, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Year, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 2,283 employees (2020: 2,041 employees) with total staff cost of approximately HK$226.3 million incurred for the Year (2020: approximately HK$221.4 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES

(a) On 26 March 2021, the Company, Tianjin Fuqing and Beiqing Smart, both being subsidiaries of the Company, entered into nine capital contribution agreements with the Fourth Round Investors, pursuant to which the Fourth Round Investors agreed to contribute new capital in the aggregate amount of RMB1,076.17 million in return for approximately 9.14% of the enlarged capital of Beiqing Smart. Immediately following the completion of the Fourth Round Capital Increase, Beiqing Smart will be held as to approximately 80.24% by Tianjin Fuqing. Beiqing Smart would continue to be accounted as a subsidiary of the Company. The Fourth Round Capital Increase constitutes a deemed disposal by the Company of its interests in Beiqing Smart. The Fourth Round Capital Increase has been completed during the Year.

On 17 September 2021, the Company, Tianjin Fuqing, 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*) and Beiqing Smart entered into supplemental agreements with the First Round Investors, the Second Round Investors, the Third Round Investor and the Fourth Round Investors under which the respective parties agreed to amend certain terms of the capital contribution agreements.

Further details are set out in the Company's announcements dated 26 March 2021 and 17 September 2021.

(b) On 16 April 2021, Beiqing Smart entered into an operating rights agreement with 連州市嘉潤投資發展有限公司 (Lianzhou City Jiarun Investment Development Co., Ltd.*) (the "**Lianzhou Company**") in relation to the transfer of the operating rights of 連州市潭嶺水電廠 (Lianzhou City Tanling Hydropower Plant*) (the "**Hydropower Plant**") to Beiqing Smart (the "**Operating Rights Agreement**"), pursuant to which the Lianzhou Company agreed to transfer the operating rights of the Hydropower Plant to Beiqing Smart (or its holding company) for a term of 20 years (from the date of transfer of the operating rights of the Hydropower Plant), subject to the obtaining of approval of the pumped-storage project. The basic operating fees payable by Beiqing Smart under the Operating Rights Agreement shall be approximately RMB41,020,000 per annum. Further details are set out in the Company's announcements dated 16 April 2021 and 30 April 2021.

(c) On 14 May 2021, 西藏多能共拓企業管理合夥企業(普通合夥)(Tibet Duoneng Gongtuo Enterprise Management Partnership Enterprise (General Partnership)*) (as the "**Purchaser**") (an indirect non-wholly owned subsidiary of the Company) and Great First entered into a target equity transfer agreement, pursuant to which the Purchaser agreed to acquire, and Great First agreed to dispose of, approximately 8.33% equity interest in 北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*) (as the "**Target Company**") at a consideration of RMB33,222,712 (the "**Great First Target Equity Transfer**"). On 14 May 2021, the Purchaser also entered into a target equity transfer agreement with each of Ningbo Junyuan and Super Bright (Hong Kong) Limited, ("**Super Bright**") respectively, pursuant to which the Purchaser agreed to acquire, and Ningbo Junyuan and Super Bright agreed to dispose of, an aggregate of approximately 11.88% equity interest in the Target Company at an aggregate of consideration of RMB47,520,726 (the "**Ningbo Junyuan and Super Bright Target Equity Transfer**"), (The Great First Target Equity Transfer and the Ningbo Junyuan and Super Bright Target Equity Transfer are collectively referred to as the "**Target Equity Transfer**").

The Target Equity Transfer has been completed during the Year. Upon completion of the Target Equity Transfers, the Purchaser will hold an aggregate of approximately 95.76% equity interest in the Target Company. The Target Company will continue to be a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the financial results of the Group. Further details are set out in the Company's announcement dated 14 May 2021.

(d) For details of those acquisition and disposal transactions contemplated under material assets reorganisation are set out in the section headed ''Material Assets Reorganisation''.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries, associated companies and joint ventures by the Group for the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fluctuation in currency exchange rates

The Group primarily operates its businesses in the PRC and most of its transactions are mainly denominated in RMB. The value of RMB against HK$ and other currencies may fluctuate and is affected by, among others, changes in the economic conditions and policies. The conversion of RMB into foreign currencies, including HK$, has been based on rates as promulgated by the People's Bank of China. The Group monitors foreign exchange exposures and takes appropriate measures to mitigate and manage the risk on a timely and effective manner by, including but not limited to, raising debt financing denominated in RMB to match the currency of operating cash flows.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. During the Year, the Group steadily expanded the clean energy businesses, which require material funding in investment and development stages. In managing the liquidity risk, the Group, among others, (i) obtains long-term bank loans and other borrowings, issues perpetual capital instrument and corporate bond and introduced strategic capital investments in a subsidiary as detailed under the section headed "2.23 Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities; and (iii) timely monitors the settlements of receivables.

Policy risks

The Group's clean energy businesses are dependent on the relevant governmental support measures (including the preferential tax policies, subsidies and government grants, electricity generation dispatch priority, laws and regulations, etc.) for steady and healthy development. Although the Chinese government has been supportive to the growth of the clean energy businesses, it is possible that the existing governmental support measures will be modified. The Group will strictly cohere to the government measures and will closely monitor the policy planning to grasp the business opportunities and get understanding on the risks associated with the policy modifications in advance.

Other business risks

The risks and uncertainties on the Group's clean energy businesses, in particular the Photovoltaic Power Business and the Wind Power Business, also comprise (i) the risks on project performance; and (ii) grid curtailment risks. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks on project performance, the Group places significant emphasis on, among others, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) human capital and technical strengths; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of these businesses. On the other hand, in mitigating the curtailment risks, the Group strategically focuses on developing the Photovoltaic Power Business and the Wind Power Business in regions which are well-developed with power transmission network and with stronger economy and electricity demand, and in general do not have curtailment issue.

CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

The Group is dedicated to environmental sustainability and combat climate change by strategically expanding into the Photovoltaic Power Business, the Wind Power Business, the Clean Heat Supply Business and other clean energy businesses, which offer clean energy and make valuable contributions to the widespread use of renewable energy. The Group is also committed to sustainable development of the environment, minimising the environmental impact of its operations by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management.

Compliance with relevant laws and regulations

During the Year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationship with stakeholders

The Group recognises that stakeholders including employees, shareholders and investors, customers, suppliers and contractors, government entities, industry partners and community partners are the key to corporate sustainability and is keen on developing long-term relationships with these stakeholders. Some examples on supporting and communicating with the stakeholders include:

(a)	Employees	:	The Company adheres to the core values of "being responsible, having values and being sharing" and places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.
(b)	Shareholders and investors	:	Details of which are set out in the section headed "Investor Relations – Communication with shareholders" in the "Corporate Governance Report" of this annual report.
(c)	Customers	:	The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

(d)	Suppliers and contractors	:	The Group is dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

Further details of the Group's commitment and strategies to sustainability and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core businesses of the Group for the year ended 31 December 2021 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2021, which will be published on the websites of the Company (www.bece.com.hk) and the Stock Exchange (www.hkexnews.hk) before the end of May 2022.

* *For identification purposes only*

FUTURE OUTLOOK

Facing the development opportunities brought by the "double carbon" ("Carbon Dioxide Emissions Peak and Carbon Neutrality") targets, the Group always keeps in mind the original aspiration of "promoting the revolution in energy production and consumption, building a clean, low-carbon, safe and efficient energy system", closely follows the "14th Five-Year" development plan of the industry, takes account of the development of each business, persistently promotes the clean energy development with photovoltaic power, wind power and smart energy management service as the business core, and stays committed to becoming an integrated operator and provider of efficient, green, low-carbon and smart energy solutions with cutting-edge technologies, cost advantage, high-quality assets and solid operation in China.

Going forward in 2022, for investment and development, the Group will closely monitor policy changes, review and adjust the business strategy in a timely manner, strengthen efforts in market development and acquire high-quality resources with differentiated competitiveness by employing all available means. For project construction, the Group will continue to develop the internal strength and further improve the standardisation, streamlining and informatisation of project construction management to improve the quality of project construction. In production and operation, the Group will persist in enhancing quality internally and building brand image externally, apply delicacy management to improve power generation and reduce energy consumption of heat supply, and build the livelihood brand and the entrusted power operation and maintenance service brand. In risk management and control, the Group will establish a specialised risk system, set the bottom line, strengthen employees' risk awareness, build the scientific decision-making mechanism and the standard operation mechanism, and allow the frontline to control risks with independent initiative. In safety management, the Group will further consolidate the foundation to achieve another progress in building the enterprise of inherent safety. In technology management, the Group will continue to improve the technical standard system, strengthen the technological innovation capability, application capability and service capacity, promote the technology-driven market development, advance projects with the "resource + technology" pattern that coordinates technology with investment and development. In the back-end support, the Group will enhance the materials management and reduce impairment and additional stock loss, and will benchmark against market prices and update the cost standard system in a timely manner to develop the cost advantage. It will establish the "management + professionalism" dual career development channel, launch the programmes of key position successor and reserve talent selection, and improve the remuneration review system, therefore strengthening the competitiveness in the industry. The Group will promote the high-quality development of the clean energy in the new era with firm belief and solid actions, and facilitate the country to achieve the goals of "Carbon Dioxide Emissions Peak and Carbon Neutrality" in all aspects.

* *For identification purposes only*

For the year ended 31 December 2022

1. BUSINESS REVIEW

The year of 2022 has been extraordinary for the Group. On 19 May 2022, SDHG contributed additional capital of approximately HK$4.7 billion to the Company by subscription of new shares issued by the Company through its indirect wholly-owned subsidiary ("**SDHG Subscription**"), after which it indirectly holds 43.45% of the Company's shares in issue, becoming the sole largest controlling shareholder of the Company. On the same day, the composition of the board of directors of the Company (the "**Board**") was changed, and a new Board was formed. Subsequently, the Company became a subsidiary of SDHG. On 27 June 2022, the Company changed its name to Shandong Hi-Speed New Energy Group Limited and adopted a new company logo on 5 August 2022. The Group is empowered with the strong brand endorsement, capital and resources by Shandong Hi-Speed Group, it is marked the Group's value and corporate governance culture towards an important milestone under the brand new development, with the launch of a new atmosphere and new page.

Under the national "14th Five-Year Plan" period, the People's Republic of China (the "**PRC**") has been actively promoting new energy planning, and the Group has been striving to achieve "Carbon Dioxide Peaking" and "Carbon Neutrality". Since SDHG took over the Group, it has fully empowered the Group from the three dimensions of capital, resources, and brand. In the second half of the Year, under the leadership of the new Board, the Group's development position has been identified, adhering to the idea of "lucid waters and lush mountains are invaluable assets". The Group's business has returned to the development track, firmly grasping the historic opportunity of the new energy industry, and integrating the Group into the national layout, the strategy of Shandong Hi-Speed Group and its own advantages. The Group focuses on the investment, development, construction, operation and management of photovoltaic and wind power new energy and clean heating services in cities as the core businesses of the Group, and strives to build the Group as a new energy flagship enterprise under Shandong Hi-Speed Group.

During the Year, the Group was principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC. A summary of the results for the Year is set out below:

Financial highlights:

	2022	**2021**	**Change**
	HK$'000	*HK$'000*	*%*
Revenue	5,296,197	6,023,419	(12)
Gross profit	2,560,495	2,576,523	(1)
Gross profit margin *(%)*	48.3	42.8	5.5
Profit/(Loss) for the Year	225,811	(288,834)	178
Profit/(Loss) attributable to the equity holders of the Company	258,236	(321,312)	180
Basic earnings/(loss) per share *(in HK cent(s))*	0.28	(0.62)	145
EBITDA	3,666,137	2,941,853	25
Total assets	52,028,265	54,874,237	(5)
Total equity	15,091,724	12,082,054	25
Cash and cash equivalents	3,637,264	1,140,832	219

As an integrated clean energy power operator and service provider, the Group was relatively less affected by the COVID-19 pandemic. The sale of electricity and entrusted operations businesses still maintain steady growth. During the Year, the power generation capacity of the Group on a consolidated basis amounted to approximately 4.9 million megawatt-hour ("**MWh**") (2021: approximately 4.8 million MWh), representing an increase of approximately 2.1% compared with the corresponding period of the last year. The aggregate operating power generation capacity[#] of the projects held and/or managed by the Group, the associates and the joint ventures of the Group in 2022 was approximately 6.1 million MWh (2021: approximately 5.8 million MWh), representing an increase of approximately 5.2% compared with the corresponding period of the last year.

The Group focused on the power generation business with stronger sustainability, actively enhanced the quality of its existing projects and the efficiency of project management, and optimised its business portfolios through the implementation of cost reduction and efficiency enhancement. Currently, the Group's revenue and business structure have been successfully optimised to improve the Group's overall business and financial performance, and have contributed to an increase in the Group's gross profit margin by approximately 5.5% to approximately 48.3% for the Year (2021: 42.8%).

[#] The operating power generation included (i) the power generation of the projects held by the Group, the associates and the joint ventures of the Group; and (ii) the power generation of the projects managed by the Group through the provision of entrusted operation services.

Profit for the Year of the Group was approximately HK$225.8 million (2021: loss of approximately HK$288.8 million). Profit attributable to the equity holders of the Company was approximately HK$258.2 million (2021: loss attributable to the equity holders of the Company of approximately HK$321.3 million). The turnaround from loss to profit was mainly attributable to significant decrease of other net operating expenses due to the following reasons: a significant decrease in the impairment provisions for (i) the property, plant and equipment, and the operating concessions; (ii) the prepayments, deposits and other receivables of the Group (the related influences were partially offset by the increase in finance costs resulting from the increase of Hong Kong inter-bank offered rate on certain interest-bearing bank loans during the second half of 2022).

Further details of the discussion of financial performance are set out in the section headed "2. Financial Performance" in "Management Discussion and Analysis". Analysis of the business performance is set out below.

1.1 Sale of Electricity and Entrusted Operation Services

In terms of operations, during the Year, the Group has been steadily developing its core businesses through the investment, development, construction, operation and management of clean energy power plant projects, and the aggregate revenue in respect of the sale of electricity and entrusted operation services amounted to approximately HK$3,969.5 million (2021: approximately HK$4,136.6 million), representing a decrease of approximately 4% as compared to the corresponding period of the last year. The decrease in the revenue was mainly due to the impact of exchange rate fluctuations.

Pursuant to the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*"(《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in the first half of 2020, the rules for settlement of additional subsidies for renewable energy electricity prices as well as the conditions and application procedures for registering under the project list of national renewable energy power generation subsidy (the "**Project List**") were further clarified. In addition, the "Notice on the Acceleration of Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*"(《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) issued by the Ministry of Finance in the second half of 2020, emphasises acceleration of review on existing renewable energy power generation projects, to ensure the registration of those projects under the Project List in batches as soon as possible.

Pursuant to the "Central Government Fund Expenditure Budget in 2022*"(《2022年中央政府性基金支出預算表》) issued by the Ministry of Finance in the first half of 2022, it indicated that the budget for other government fund expenditures was significantly increased by approximately 466%, to approximately RMB459.4 billion for the year. In addition, the "Notice on Carrying out Self-inspection Work on Renewable Energy Power Generation Subsidies*"(《關於開展可再生能源發電補貼自查工作的通知》) jointly announced by the National Development and Reform Commission of the PRC (the "**NDRC**"), the National Energy Administration and the Ministry of Finance in March 2022, further clarified the object, scope, timing and procedures of self-inspection of subsidies application for the entitlement of the power generation enterprises for application of the central government renewable energy subsidies.

In August 2022, State Grid Corporation of China and China Southern Power Grid Co., Ltd. established Beijing Renewable Energy Development and Clearing Service Co., Ltd. and Guangzhou Renewable Energy Development and Clearing Service Co., Ltd. respectively in accordance with the relevant approval requirements to undertake the government policy affairs for the purpose of addressing the shortfall of renewable energy subsidy through special financing in the future.

The total renewable energy subsidy received for the photovoltaic and wind power plant projects of the Group's subsidiaries that were registered under the Project List of the National Renewable Energy Power Generation subsidies was approximately HK$3,600 million (2021: approximately HK$869.7 million) for the Year. The joint efforts of the NDRC, the Ministry of Energy and the Ministry of Finance jointly and actively addressed the shortfall of the renewable energy power projects and accelerating the disbursement of subsidies. The national renewable energy subsidies continued to enhance the Group's liquidity position and replenish funds to promote the healthy operation and development of the Company's future photovoltaic and wind power plant industries.

In terms of development, in June 2021, the NDRC issued the "Notice on Matters Relating to the New Energy On-grid Tariff Policy in 2021*"(《關於2021年新能源上網電價政策有關事項的通知》), which explicitly stated that starting from 2021, for newly filed centralised photovoltaic power plants, industrial and commercial distributed photovoltaic power projects and newly approved onshore wind power projects, the central government no longer provide subsidies and implement grid parity, and the policy continued in 2022. In March 2022, the National Energy Administration issued the "Guiding Opinions on Energy Work in 2022*"(《2022年能源工作指導意見》), which clarified that the wind power and photovoltaic power generation as a percentage to the total electricity consumption of the society reaching approximately 12% in 2022. In June 2022, the "Notice on the "14th Five Year" Renewable Energy Development Plan*"(《「十四五」可再生能源發展規劃》) was jointly issued by the NDRC and the other eight government authorities, which stated that by 2025, the annual power generation from renewable energy will reach about 3.3 trillion kilowatts, representing an increase of 50% as compared to 2020.

In 2021, the central government unprecedentedly included "Carbon Dioxide Peaking" and "Carbon Neutrality" in its overall planning for the construction of ecological civilisation and called for the accelerated establishment of an economic regime featuring low-carbon green recycling development. Under the situation and requirements of strict control of the total amount and intensity of traditional energy consumption and continuous improvement of the ecological environment, the Group contributes to the realization of the "double carbon" target, with wind power and photovoltaic power generation as green and clean energy sources, which will become one of the major strategic energy sources in the PRC in the future. With the Group's extensive experience in investment, development and management of photovoltaic, wind power and other clean energy generation businesses and our professional team, the Group is further developing its photovoltaic and wind power business to contribute to the building of a green and low carbon city in the PRC in the future.

The wind power and photovoltaic power industries have entered into a new and rapid development stage with free of reliance on tariff adjustments, and the stability and predictability of the cash flow of the wind power and photovoltaic power projects in the future will be greatly enhanced. During the Year, the first grid parity project of the Group has been undergoing construction. The Group's aggregate capacity of on-grid, under-construction and approved-to-construct grid parity projects reached over 700 megawatt ("**MW**"). Going forward, the Group will continue to increase its investment, and actively promote the development of photovoltaic power and wind power grid parity projects, and continuously improve the power, capacity, regulation and green value of new energy projects through market-oriented trading mechanisms. We are also committed to building a clean energy business development engine with differentiated competitiveness, in order to become a fully market-oriented new energy investment operator and integrated solution provider with first-class domestic asset scale and quality in China before the "Carbon Dioxide Peaking". During the Year, the Group has developed the basis for differentiated competitiveness of distributed photovoltaic power generation. Further details are set out in the section "1.1.1 (c) – Scale and performance of the distributed photovoltaic power plant projects "under "Management Discussion and Analysis".

1.1.1 Photovoltaic Power Projects

(a) Scale and performance of the centralised photovoltaic power plant projects

During the Year, the Group's centralised photovoltaic power business operated steadily. The Group recorded revenue of approximately HK$2,362.2 million (2021: approximately HK$2,503.7 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing approximately 44.6% (2021: approximately 41.6%) of the Group's total revenue during the Year.

As at 31 December 2022, 52 (2021: 52) centralised photovoltaic power plants covering 13 provinces, 2 autonomous regions and 1 municipality in the PRC and 1 (2021: 1) centralised photovoltaic power plant in Whyalla, Southern Australia, Australia were held by the Group and in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,369 MW (2021: 2,252 MW), details of which are set forth below:

		2022			2021		
Location	**Photovoltaic resource area**	**Number of plants**	**Approximate total on-grid capacity** *(MW)*	**Approximate aggregate power generation** *(Note 1)* *(MWh)*	**Number of plants**	**Approximate total on-grid capacity** *(MW)*	**Approximate aggregate power generation** *(Note 1)* *(MWh)*
PRC-Subsidiaries:							
Hebei Province	II/III	17	597	798,469	17	575	742,465
Henan Province	III	3	268	318,390	3	264	330,230
Shandong Province	III	5	243	310,101	5	248	306,197
Guizhou Province	III	4	209	204,729	4	211	204,160
Anhui Province	III	6	189	233,296	6	191	224,340
Shaanxi Province	II	2	160	233,644	2	160	241,563
Jiangxi Province	III	3	125	130,494	3	125	131,131
Jiangsu Province	III	1	100	151,606	1	100	138,004
The Ningxia Hui Autonomous Region	I	1	100	147,469	1	100	146,924
Hubei Province *(Note 2)*	III	3	70	73,252	3	70	49,270
Jilin Province	II	1	30	40,888	1	30	45,040
The Tibet Autonomous Region	III	1	30	45,905	1	30	43,811
Tianjin Municipality	II	1	30	42,004	1	30	40,231
Yunnan Province	II	1	22	30,509	1	22	32,026
Shanxi Province	III	1	20	29,208	1	20	29,322
Guangdong Province	III	1	110	43,678	1	10	843
		51	2,303	2,833,642	51	2,186	2,705,557
PRC-Joint ventures:							
Anhui Province	III	1	60	82,157	1	60	79,816
Hubei Province *(Note 2)*	III	–	–	–	–	–	19,199
		1	60	82,157	1	60	99,015
PRC-Sub-total		52	2,363	2,915,799	52	2,246	2,804,572
Overseas-Subsidiary:							
Whyalla, Southern Australia, Australia (Whyalla)	N/A	1	6	5,487	1	6	7,572
Total		53	2,369	2,921,286	53	2,252	2,812,144

Most of the Group's centralised photovoltaic power plant projects in the PRC were situated in east and central regions of the PRC, and in photovoltaic resource areas II and III as promulgated by the NDRC. The geographical distribution is favourable for the development of the Group's Photovoltaic Power Business. Set out below are the projects analysis by photovoltaic resource areas:

	2022			2021		
Photovoltaic resource area	**Number of plants**	**Approximate total on-grid capacity** *(MW)*	**Approximate aggregate power generation** *(note 1)* *(MWh)*	**Number of plants**	**Approximate total on-grid capacity** *(MW)*	**Approximate aggregate power generation** *(note 1)* *(MWh)*
PRC-Subsidiaries:						
I	1	100	147,469	1	100	146,924
II	12	448	657,797	12	448	656,404
III	38	1,755	2,028,376	38	1,638	1,902,229
	51	2,303	2,833,642	51	2,186	2,705,557
PRC-Joint ventures:						
III	1	60	82,157	1	60	99,015
Total	52	2,363	2,915,799	52	2,246	2,804,572

Note 1: It represented the approximate aggregate power generation of certain projects from (i) the completion dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods (whichever is later), to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full-year performance of these operations.

Note 2: The project (the "**Hubei Project**") was jointly held by Tianjin Clean Energy Investment Company Limited*（天津富歡企業管理諮詢有限公司）and Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*（北京北控蘇銀股權投資管理中心（有限合夥））, ("**BE Suyin**"), a limited partnership established in August 2017 which was classified as a joint venture of the Group since 2017, and the power generation of the Hubei Project had been classified as the power generation of joint venture since 2017. The Group owned 65% subordinated interest in BE Suyin. Further details of the establishment of BE Suyin are set out in the Company's announcement dated 9 August 2017.

In the second half of 2021, pursuant to certain equity transfer agreements entered into between the Group and two partners of BE Suyin respectively, two partners of BE Suyin disposed of their entire equity interests in BE Suyin to the Group and the equity transfer (the "**BE Suyin Transaction**") was completed in September 2021. The Group owned 99.99% equity interest in BE Suyin upon the BE Suyin Transaction completed, and the power generation of the Hubei Project had been classified as the power generation of subsidiary since September 2021.

Note 3: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.71.

(b) Key performance data of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the reporting period

	2022	2021	Changes
Weighted average utilisation ratio *(%)*	95.98	97.32	–1.34%
Weighted average utilisation hours *(hours)*	1,264	1,259	5 hours

During the Year, the weighted average utilisation hours of the Group reached 1,264 hours, representing an increase of 5 hours over the corresponding period of the last year. The weighted average utilisation ratio for the Year was lower than that of the corresponding period of the last year, which was mainly due to the lower utilisation rate of the Group's centralised photovoltaic power plant projects in Hebei Province and Shaanxi Province.

(c) Scale and performance of the distributed photovoltaic power plant projects

In respect of the distributed photovoltaic power business, as at 31 December 2022, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation reached approximately 750 MW (2021: approximately 700 MW), mainly located in photovoltaic resource area III as promulgated by the NDRC such as Henan Province, Jiangsu Province, Shandong Province, Hebei Province and Anhui Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited ("**BEWG**") of which the Group sold electricity to respective water plants, and the distributed photovoltaic power station constructed by the Group within the service area of expressway under Shandong High-Speed Group of which the Group sold electricity to respective service area. Revenue from the sale of electricity from the Group's distributed photovoltaic power plants for the Year amounted approximately HK$636.2 million (2021: approximately HK$622.3 million).

The strategy of the Group's distributed photovoltaic power business is mainly divided into three parts. Firstly, we will focus on and give priority to state-owned enterprises and leading enterprises in the industry when selecting rooftop resources, and work closely with quality owners with good reputation and load absorbing capacity. Secondly, by virtues of the shareholders' resources, we strive to pioneer and build the first innovative "Photovoltaic + Sewage Treatment" model across the photovoltaic industry. Thirdly, we will utilise the resources endowments peculiar to various applications of expressways, resources such as ramp circles on expressways, toll stations, service areas, tunnels, slopes and logistics parks can all be served for planning, development and application of new energy.

With the empowerment of Shandong Hi-Speed Group, the above strategy and development achieved milestones during the Year. The "Gushan Service Area Photovoltaic Storage and Charging Integrated Project"*(「**崮山服務區光儲充一體項目**」), the first project cooperated with Shandong Hi-Speed Group, has been completed. The project is a pilot distributed project using the service area of expressways and other supporting facilities as the application site. It officially opened the prelude to the scene application of "Traffic Energy Integration" and "New Energy + New Infrastructure". Pursuant to the non-legally binding "Memorandum of Cooperation of Shandong Hi-Speed Group Co., Ltd. supporting high-quality development of Shandong Hi-Speed New Energy Group Limited*"(《山東高速集團有限公司支持山高新能源集團有限公司高質量發展合作備忘錄》) entered into between the Company and Shandong Hi-Speed Group on 18 September 2022, the Shandong Hi-Speed Group will use service areas, logistics parks and other areas with suitable conditions to support the Company in building low or zero carbon service areas, parks and cities constructions, and the Company will provide a series of integrated green energy solutions for the Shandong Hi-Speed Group. According to preliminary estimation, the installed capacity of potential scene applications may reach 4 gigawatt ("**GW**").

In the long run, the Group will develop new business models based on its extensive transportation application landscape and territorial resources, including "Slope Photovoltaic" in expressway, "Sound Insulation Screen Photovoltaic", "Toll Station + Distributed Photovoltaic or Distributed Wind Power", "Service Area + Distributed Photovoltaic or Distributed Wind Power" and other forms, combined with the rational use of local resources, to develop the field of distributed comprehensive energy services. The Company will make reasonable use of the sea, actively explore and create more "Sea Breeze" and "Sea Light" demonstration projects to help the transformation of green energy and industrial upgrading in the region. The Company will also rationalise land use and develop "Wind And Light Management" in areas unsuitable for farming, such as coal mining sinkholes and beach lands, to provide green power and create carbon sinks. We will promote sustainable development in the form of wind and light + agriculture, forestry, animal husbandry and other industries in suitable areas.

In addition, the operations, maintenance and management of the distributed photovoltaic power generation business made a breakthrough in implementing centralised control and management through the adoption of online work distribution system during the Year, which has solved the issues of fragmented locations for distributed photovoltaic power business, to enhance the efficiency of the operations and maintenance of the Group's distributed projects.

(d) Entrusted operation services

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted operation services for photovoltaic power plant projects in the PRC and revenue of approximately HK$6.8 million (2021: approximately HK$7.5 million) was recognised during the Year.

1.1.2 Wind Power Plant Projects

(a) Scale and performance of the wind power plant projects

During the Year, the Group's Wind Power Business continued to develop steadily. The Group recorded revenue of approximately HK$750.7 million (2021: approximately HK$815.9 million) from the sale of electricity from the Group's wind power plants.

As at 31 December 2022, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the on-grid, under-construction and approved-to-construct wind power projects reached approximately 1 GW. These projects mainly located in Hebei Province, Henan Province and Shandong Province, belonged to wind resource area IV as promulgated by the NDRC. Among which, 13 (2021: 13) wind power plants covering 4 provinces and 1 autonomous region in the PRC with an aggregate on-grid capacity of 588 MW (2021: 588MW) were held by the Group and in operation as at 31 December 2022. The projects are situated in high wind areas of Inner Mongolia Autonomous Region backed with better resources endowments, where we can fully capitalise the advantage on the low wind speed areas in northern and eastern regions of the PRC to build high efficiency tall tower wind power plants. Amongst which, Inner Mongolia Damao Wind Farm* (內蒙古達茂風電場) was accredited as "5A Wind Farm" by China Electricity Council* (中電聯5A風電場), the highest quality widely recognised in the industry in two consecutive years, with details analysed below:

Location	Wind resource area	2022 Number of Plants	2022 Approximate total on-grid capacity (MW)	2022 Approximate aggregate power generation (Note 1) (MWh)	2021 Number of Plants	2021 Approximate total on-grid capacity (MW)	2021 Approximate aggregate power generation (Note 1) (MWh)
PRC-Subsidiaries:							
Henan Province	IV	5	171	374,262	5	171	421,101
Shandong Province	IV	2	148	323,871	2	148	213,560
The Inner Mongolia Autonomous Region	I	4	119	367,936	4	119	416,558
Hebei Province	IV	1	100	273,662	1	100	282,586
Shanxi Province	IV	1	50	97,788	1	50	87,684
Total		13	588	1,437,519	13	588	1,421,489

The majority of the Group's wind power plant projects in the PRC were situated in wind resource area IV as promulgated by the NDRC, the relevant regions are favourable for the development of the Group's Wind Power Business.

During the Year, the Group completed wind power generation of approximately 1.44 million MWh (2021: approximately 1.42 million MWh) on a consolidated basis, representing an increase of 1% as compared to the corresponding period of the last year. Set out below the are projects analysis by wind resource areas:

	2022			2021		
Wind resource area	Number of Plants	Approximate total on-grid capacity *(MW)*	Approximate aggregate power generation *(Note 1)* *(MWh)*	Approximate total on-grid capacity	Approximate aggregate power generation *(MW)*	Wind resource area *(Note 1)* *(MWh)*
PRC-Subsidiaries:						
I	4	119	367,936	4	119	416,558
IV	9	469	1,069,583	9	469	1,004,931
Total	13	588	1,437,519	13	588	1,421,489

Note 1: It represented the approximate aggregate power generation of certain projects from (i) the completion dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods (whichever is later), to the end of the respective reporting periods. Therefore, the above aggregate power generation does not reflect a full year performance of these operations.

Note 2: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects was approximately RMB0.45.

(b) Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period

	2022	2021	Changes
Weighted average utilisation ratio *(%)*	98.21	97.21	1.00%
Weighted average utilisation hours *(hours)*	2,464	2,902	–438 hours

During the Year, the weighted average utilisation hours of the Group reached 2,464 hours, which is lower than the corresponding period of the last year due to the windy season and better overall wind resources than the current year. The Group's wind power plant projects are mainly located in wind resource area IV as promulgated by the NDRC and therefore with a higher average utilisation hours. During the Year, the weighted average utilisation ratio of the Group was 98.21%, which was 1% higher as compared to the corresponding period of the last year.

(c) Entrusted operation services

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted operation services for wind power plant projects in the PRC and revenue of approximately HK$200.4 million (2021: approximately HK$181.0 million) was recognised during the Year.

1.2 Engineering, Procurement and Construction and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction and related services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has a couple of qualifications and extensive experience in the design, engineering and construction of power-related projects. The Group has prioritised the construction of self-owned projects related to photovoltaic and wind power, and internal resource allocation will be further adjusted and optimised. Therefore, revenue of approximately HK$403.1 million (2021: approximately HK$794.4 million) in aggregate arising from provision of engineering, procurement and construction and related services was recognised during the Year, representing 7.6% (2021: 13.1%) of the Group's total revenue during the Year, representing a decrease of 49.3% as compared to the corresponding period of the last year.

1.3 Provision of Clean Heat Supply Services

At the 75th session of the United Nations General Assembly, the General Secretary Xi Jinping pointed out that more forceful policies and measures to the fight against climate change will be adopted in the PRC. It aims to achieve the goal of Carbon Dioxide Emissions Peak by 2030 and the vision of "Carbon Neutrality" by 2060. This signifies that the central government is taking practical actions to enforce the United Nations Framework Convention on Climate Change and the Paris Agreement, and is determined to implement green, low-carbon, safe and efficient utilisation of energy, and emission-reducing production methods. With the introduction of the "14th Five-Year Plan", China's clean heat supply policy will continue to flourish, and heat supply methods that are environmentally friendly, energy efficient, appropriate and conducive to support urban development, which will become the future of the heat supply industry.

With existing supportive national government policies issued, such as the notice of "The "14th Five-Year" Plan for a Modern Energy System*"(《「十四五」現代能源體系規劃》) by the NDRC and the National Energy Administration in March 2022, which encouraged the local governments to actively support clean heat supply projects according to local conditions, and encouraged the use of geothermal energy for clean heat supply projects. In June 2022, "Notice on the "14th Five-Year" Renewable Energy Development Plan*"(《「十四五」可再生能源發展規劃》) was jointly issued by the NDRC and the other eight government authorities, which promoted the use of large and medium-sized boilers for central heating in urban and other populated areas.

The Group will actively respond to national policies, seize the opportunities arising from the new round of industrial revolution, vigorously develop our clean heat supply business, continuously increase our investments in technology research and development, actively explore green, low-carbon and environmentally friendly clean heat supply methods. As at 31 December 2022, through development and business acquisitions, 13 projects (31 December 2021: 14 projects) held and/or managed by the Group and its joint ventures through the use of natural gas, electricity, geothermal energy, biomass, photovoltaic power generation, industrial waste heat energy, clean coal-fired (ultra-low emission) energy, river water and other clean energy sources, located in Henan Province, Shanxi Province, Shaanxi Province, Ningxia Hui Autonomous Region, Liaoning Province and other provinces and autonomous regions, in operation with an aggregate actual clean heat supply area reached approximately 39.598 million square meters ("**sq.m.**") (31 December 2021: approximately 49.672 million sq.m.), representing a year-on-year decrease of 20.3%; and the number of clean heat supply services users of approximately 230,326 households (31 December 2021: approximately 310,478 households), representing a year-on-year decrease of 25.8%. Revenue of approximately HK$923.6 million (2021: approximately HK$1,092.4 million) arising from the provision of clean heat supply services was recognised by the Group during the Year, representing a decrease of approximately 15.5% as compared to the corresponding period of the last year. Such decrease was mainly due to exit operations of certain projects held and/or managed, and the net effects of new projects held by the Group.

Among them, details of actual clean heat supply area and the number of clean heat supply services users of the projects in operation which were held and/or managed by the Group and the joint ventures of the Group are as follows:

Location	Approximate actual clean heat supply area			Approximate clean heat supply services users		
	31 December 2022	31 December 2021	Change	31 December 2022	31 December 2021	Change
	('000 sq.m.)	*('000 sq.m.)*	*(%)*	*(households)*	*(households)*	*(%)*
Northeast region, China	14,668	27,067	(45.8)	44,237	141,609	(68.8)
North region, China	16,191	13,991	15.7	118,592	107,611	10.2
Northwest region, China	6,623	6,627	(0.1)	52,767	48,519	8.8
East and Central regions, China	2,116	1,987	6.5	14,730	12,739	15.6
Total	39,598	49,672	(20.3)	230,326	310,478	(25.8)

1.4 Other New Energy Related Service

The Group has been exploring other clean energy businesses such as multi-energy complement, hydropower, energy storage, hydrogen production, distribution and sales of electricity, power exchange and other business lines, and exploring alternative new energy utilization model, scene, and gradually develop international opportunities for strategic and synergistic development, with an aim to become a national leading integrated new energy service provider. During the Year, the Group has also entered into several strategic framework agreements with certain local governments, well-established enterprises, authoritative institutions and industrial associations, and proactively established partnerships to seek joint development in the field of clean energy for the purpose of mutual benefits and complementarity.

In terms of energy storage business, as a pioneer in energy storage applications, the Group is planning to develop the first pumped energy storage project in Guangdong Province, China. The pumped-storage project has a large volume and high energy efficiency, which becomes an indispensable green energy storage solution using physical quantities such as potential energy of water body and height difference as the power source of turbine units. Through project construction and actual operation, we play a significant role in maintaining the stability of local power grid systems, promoting local economic development, and providing green jobs.

In terms of clean heat supply, we have been actively exploring to provide more convenient services related to livelihood and environmental protection through "cooling and heating generation" and others to more residents, industrial and commercial users, so as to fostering green concept and culture, and clean heat deep-rooted into different industries and among all walks of life. In respect of solid waste and used oil treatment and processing operations, Shandong Hi-Speed Renewable Energy Group Limited (formerly known as BECE Legend Group Co., Ltd*(北清環能集團股份有限公司)) (a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: SZ.000803)) ("**SDHS Renewable**", an associate of the Group) has delivered renewable aviation fuel to customer mainly in European Union's aviation industry by turning "waste to value". As one of the first biomass diesel suppliers in the PRC, we have made contributions to green concept development of our country and also took actions in promoting the transformation of global green energy.

For hydrogen energy business, we actively explore organic integrations including "Energy Storage through Hydrogen Production by Electrolysis of Water using Wind and Light" to realise the industrial transition upgrade from gray hydrogen and blue hydrogen to green hydrogen. Meanwhile, we will also expand into integrated energy management business including hydrogen powered heavy-duty trucks and battery powered heavy-duty trucks operations in order to achieve the dual carbon targets of "Energy Saving and Reducing Emissions" for local areas and the country as early as possible.

In terms of electricity and carbon trading, the Group made advance arrangements and are actively adapting in new power systems for power market transactions in light of a rapid increase in the market shares of renewable energy, ensuring the dynamic balance between the development of the Company and the power system. The Group strives to enhance green production level of our existing projects by carrying out distinctive reforms, selecting suitable areas, pilot implementation and trial policies using refined, standardised management and intelligent approach. The Group places great emphasis on forward-looking research on both electricity trading and carbon trading markets and is developing carbon-related businesses focusing on basic adjustment of carbon information management, carbon asset development, carbon trading, and carbon finance. Having examined the Group's own conditions, the Group's renewable energy power generation projects and the waste oil project of SDHS Renewable, are in line with the support direction of China Certified Emission Reduction (CCER) policy. Hence, we shoulder the responsibilities of "building the 3060 dual– carbon goal and implementing green concept", which aligns with the Group's corporate culture of "Take on the Mission Bravely and Forge Ahead".

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK$5,296.2 million (2021: approximately HK$6,023.4 million) during the Year, representing a decrease of approximately 12% as compared to the corresponding period of the last year. The decrease of revenue is mainly due to (i) a decrease in construction and related service revenue as a result of the Group's business structure optimization; and (ii) the impact of exchange rate fluctuations. For the Year, (i) revenue from the sale of electricity and entrusted operation services reached approximately HK$3,969.5 million (2021: approximately HK$4,136.6 million) in aggregate, representing a decrease of approximately 4.0% as compared to the corresponding period of the last year; and (ii) revenue from construction and related services was approximately HK$403.1 million (2021: approximately HK$794.4 million), representing a decrease of approximately 49.3% as compared to the corresponding period of the last year.

The gross profit performance by business nature is set out below:

	2022			2021		
	Revenue *(HK$ million)*	**Gross profit margin** *(%)*	**Gross profit** *(HK$ million)*	**Revenue** *(HK$ million)*	**Gross profit margin** *(%)*	**Gross profit** *(HK$ million)*
Sale of electricity and entrusted operation services						
Photovoltaic power business	2,998.4	60.7	1,821.5	3,126.0	58.0	1,814.1
Wind power business	750.7	62.4	468.5	815.9	65.3	532.8
Entrusted operations services	220.4	64.8	142.8	194.7	35.6	69.3
Construction and related services	403.1	15.0	60.4	794.4	8.1	64.4
Provision of clean heat supply services	923.6	7.3	67.3	1,092.4	8.8	95.9
Total	5,296.2	48.3	2,560.5	6,023.4	42.8	2,576.5

Analysis of the above businesses are set out in the section headed "1. Business Review" in "Management Discussion and Analysis".

Gross profit for the sale of electricity and entrusted operation business remained flat at approximately HK$2,432.8 million for the Year, as compared to approximately HK$2,416.2 million for the year ended 31 December 2021, representing 95.0% (2021: 93.8%) to the total gross profit of the Group. The contribution of sale of electricity to the Group's total gross profit remained flat, which was mainly attributable to the steady development of the Group's operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction and related services to the Group's total gross profit was 2.4% (2021: 2.5%) during the Year.

The overall gross profit ratio for the Year was 48.3% (2021: 42.8%). The increase was mainly due to the increase in gross profit from the core businesses such as sales of electricity and commissioned business and provision of clean heat supply services during the Year. The Group's total gross profit for the Year was comparable to the corresponding period of the last year.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK$218.9 million (2021: approximately HK$216.9 million) during the Year, which mainly comprised (i) interest income of approximately HK$38.5 million (2021: approximately HK$16.6 million); (ii) contingent consideration adjustments arising from acquisitions in previous years amounted to HK$38.7 million (2021: nil); and (iii) debt restructuring income of approximately HK$37.9 million (2021: nil).

2.3 Administrative expenses

The Group recorded administrative expenses of the Group was approximately HK$512.8 million (2021: approximately HK$512.1 million) during the Year. The Group's total administrative expenses for the Year was comparable to the corresponding period of the last year.

2.4 Other operating expenses, net

The substantial decrease in other operating expenses from HK$1,081.9 million in 2021 to HK$207.6 million during the Year were mainly attributable to a significant decrease in the impairment provisions for (i) the property, plant and equipment and operating concessions; and (ii) the prepayments, deposits and other receivables of the Group. During the Year, other operating expenses, net comprised of (i) the impairments of approximately HK$52.2 million (2021: approximately HK$299.7 million) for the property, plant and equipment and operating concessions; and (ii) the impairments of approximately HK$10.8 million (2021: approximately HK$561.4 million) for the prepayments, deposits and other receivables.

2.5 Finance costs

The finance costs of the Group increased by approximately HK$284.6 million to approximately HK$1,803.3 million (2021: approximately HK$1,518.7 million) was mainly attributable to the increase in finance costs resulting from the increase of Hong Kong inter-bank offered rate on certain interest-bearing bank loans of the Group.

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding years. The increase in income tax expense during the Year was mainly due to the increase in the Group's profits and the fact that some subsidiaries which were entitled to the "three-year exemption and three-year half-reduction" tax concession had entered the reduction period or were no longer entitled to the tax concession.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the decrease was mainly attributable to (i) the report conversion difference arising from the fluctuation of exchange rate between Renminbi and Hong Kong dollar during the Year; and (ii) the property, plant and equipment planned for sale of certain heat supply companies were transferred to held-for-sale assets.

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office and four parking spaces in Hong Kong and were leased to an independent third party.

2.9 Goodwill

Goodwill was attributable to the acquisition of subsidiaries since 2016. The decrease was mainly attributable to the effects of impairments on the goodwill of a clean heat supply services company.

2.10 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plants and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) Business Combinations. The decrease in operating concessions and operating rights was mainly attributable to the net effects of (i) the operating concessions and operating rights of certain companies were transferred to held-for-sale assets; and (ii) amortization provided for the Year.

2.11 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses.

2.12 Investments in associates

It mainly represented (i) the Group's investment in SDHS Renewable, an associate owned as to 22.88% interest by the Group and was principally engaged in the organic waste hazard-free treatment and high-value resource utilisation business, the clean heat supply business and the energy performance contracting business; (ii) the Group's investment in Beijing Enterprises City Investment Holdings Group Co., Ltd*（北控城投控股集團有限公司）, an associate owned as to approximately 15% interest by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC; and (iii) the Group's investment in Tianjin Yili New Energy Technology Company Limited*（天津屹立新能源科技有限公司）, an associate owned as to 35% interest by the Group and was principally engaged in the sales of solar thermal power generation products, research and development of emerging energy technologies, and engineering management services. The increase was mainly attributable to the share of profit and losses of associates during the Year.

2.13 Other non-current assets

It represented materials and equipment sold and delivered to third parties for the development of wind power plant projects.

2.14 Contract assets

Contract assets as at 31 December 2022 of approximately HK$1,086.7 million (2021: approximately HK$1,354.0 million) represented (i) gross receivables of approximately HK$514.9 million (2021: approximately HK$572.5 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects and were recognised according to construction progress; (ii) gross receivables of approximately HK$587.8 million (2021: approximately HK$839.1 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Project List; and (iii) loss allowances of contract assets of approximately HK$15.9 million (2021: approximately HK$57.6 million). The decrease in contract assets was mainly attributable to net effect of (i) the increase in the clean energy projects registered into the Project List; and (ii) the decrease in the extent of construction services provided for and settlements from customers during the Year.

2.15 Trade and bills receivables

Trade and bills receivables of approximately HK$8,176.9 million (2021: approximately HK$10,006.8 million) as at 31 December 2022 were mainly comprised (i) gross receivables from the sale of electricity of the photovoltaic and wind power plant projects of approximately HK$6,334.3 million (2021: approximately HK$8,073.7 million); (ii) gross receivables with certain milestones completed, accepted and recognised by customers from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK$1,248.3 million (2021: approximately HK$1,494.3 million); and (iii) loss allowances of trade and bills receivables of approximately HK$118.6 million (2021: approximately HK$73.8 million).

As at 31 December 2022, gross trade receivables for the sale of electricity of the photovoltaic and wind power plant projects mainly comprised (i) receivables of approximately HK$278.3 million (2021: approximately HK$380.8 million) from the sale of electricity mainly to State Grid Corporation of China, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK$5,943.1 million (2021: approximately HK$7,646.6 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Project List.

2.16 Prepayments, deposits and other receivables, other tax recoverables and financial assets at fair value through profit or loss

The decrease in prepayments, deposits and other receivables, other tax recoverables and financial assets at fair value through profit or loss by approximately HK$897.1 million in aggregate (non-current portion decreased by approximately HK$187.4 million and current portion decreased by approximately HK$709.7 million in aggregate respectively) to approximately HK$6,256.8 million (2021: approximately HK$7,153.8 million) in aggregate was mainly attributable to (i) the decreases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects; (ii) recovered input value-added tax credits and refunds for the Year; and (iii) recoverables of prepayments, deposits and other receivables.

2.17 Cash and cash equivalents

The increase in cash and cash equivalents by approximately HK$2,496.5 million to approximately HK$3,637.3 million (2021: approximately HK$1,140.8 million) was mainly attributable to net effect of (i) cash inflow from the SDHG Subscription new shares; and (ii) the Group received national renewable energy subsidies of approximately HK$3.6 billion.

2.18 Trade and bills payables

Trade and bills payables of approximately HK$1,941.8 million (2021: approximately HK$3,296.1 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services for the development of clean energy projects.

2.19 Other payables and accruals

Other payables and accruals of approximately HK$1,888.1 million (2021: approximately HK$2,363.8 million) decreased by approximately HK$475.7 million, which was mainly due to the net effect of (i) increase in construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) settlement of the construction and equipment payable of projects acquired or under development by the Group during the Year.

2.20 Other current liabilities and other non-current liabilities

Other current liabilities and other non-current liabilities comprised (i) deferred income of approximately HK$1,542.4 million (31 December 2021: approximately HK$1,547.6 million) arising from the materials and equipment for the development of wind power plant projects sold and delivered to third parties; and (ii) a financial liability balance in the end of this Year of HK$0 (31 December 2021: approximately HK$2,805.0 million) due to the repayment of financial liability of the options granted.

2.21 Interest-bearing bank loans and other borrowings and corporate bonds (excluding operating leases)

Interest-bearing bank loans and other borrowings, corporate bonds and lease liabilities of approximately HK$30,077.8 million (2021: approximately HK$31,216.9 million) in aggregate decreased by approximately HK$1,139.1 million in aggregate (non-current portion increased by approximately HK$3,999.0 million in aggregate and current portion decreased by approximately HK$5,138.1 million in aggregate respectively), which was mainly attributable to the net effect of (i) the drawdown of bank loans and other borrowings for the development of the clean energy businesses; (ii) the repayment of bank loans and other borrowings; and (iii) the redemption of partial portions of corporates bonds during the Year.

2.22 Capital expenditures

During the Year, the Group's total capital expenditures amounted to approximately HK$1,367.9 million (2021: approximately HK$2,411.8 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK$1,091.1 million (2021: approximately HK$1,423.3 million) in aggregate; (ii) acquisition of other intangible assets of approximately HK$2.9 million (2021: approximately HK$3.5 million); and (iii) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK$273.9 million (2021: approximately HK$985.0 million).

2.23 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). Surplus cash is generally placed in short-term deposits denominated in HK$ and RMB.

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately HK$3,637.3 million (2021: approximately HK$1,140.8 million).

Developments of the clean energy businesses require intensive initial capital investments and the Group funds such developments during the Year mainly by long-term bank loans and other borrowings, corporate bonds, and subscriptions of new shares as illustrated below.

(a) Long-term bank loans and other borrowings, corporate bonds (excluding operating leases)

As at 31 December 2022, the Group's total borrowings of approximately HK$30,077.8 million (2021: approximately HK$31,216.9 million) comprised (i) bank loans of approximately HK$19,356.2 million (2021: approximately HK$15,462.0 million); (ii) corporate bonds of approximately HK$527.4 million (2021: approximately HK$1,188.4 million); and (iii) lease liabilities under finance lease arrangements and other loans of approximately HK$10,194.2 million (2021: approximately HK$14,566.5 million). Approximately 80% (2021: approximately 64%) of the Group's borrowings are long-term borrowings.

(b) The SDHG Subscription

On 4 March 2022, a subscription agreement (the "**Subscription Agreement**") was entered into between the Company and Profit Plan Global Investment Limited (an indirect wholly-owned subsidiary of SDHG, together with its subsidiaries, the "**SDHG Group**") (the "**Subscriber**"). Pursuant to which, the Company had conditionally agreed to allot and issue, and the Subscriber had conditionally agreed to subscribe for 48,804,039,247 ordinary shares (the "**Subscription Shares**") at the subscription price of HK$0.096 per Subscription Share (the "**Subscription Price**") for the total consideration of HK$4,685,187,768. The SDHG Subscription has been completed on 19 May 2022. The Subscription Price represents a discount of approximately 7.69% to the closing price of HK$0.104 per BECE Share as quoted on the Stock Exchange on 4 March 2022, being the date of Subscription Agreement. The net price per Subscription Share was approximately HK$0.096. The Subscription Shares had been allotted and issued to the Subscriber at the Subscription Price in accordance with the terms and conditions of the Subscription Agreement. The aggregate nominal value of the subscription shares is HK$48,804,039.25. The gross proceeds of the SDHG Subscriptions are approximately HK$4,685 million and the net amount after deducting all applicable costs and expenses of the SDHG Subscriptions is approximately HK$4,683 million.

The SDHG Subscription will be advantageous to both strategic development and financial performance of the SDHG Group. As result of the Subscription, the Group will become the new energy flagship platform of the SDHG Group, which provides the SDHG Group with effective and efficient access to the renewable and clean energy market, and also serves as another growth engine of SDHG Group and helps achieve further diversification of its business portfolio. The Subscription Shares represent approximately 43.45% of the total number of the Company's shares in issue as enlarged by the allotment and issuance of the Subscription Shares as at the date of this report.

The proposed and actual use of the net proceeds of the SDHG Subscription are as follows:

Proposed use of the net proceeds raised	For the year ended 31 December 2022 Net proceeds raised	Net proceeds raised – Utilised	Net proceeds raised – Unutilised
	HK$100 million	*HK$100 million*	*HK$100 million*
1. Repayment of indebtedness and improvement of gearing ratio	34.7	34.7	–
2. Investments in development of projects of the Group	8.5	8.5	–
3. Settlement of outstanding project sums	0.6	0.6	–
4. General working capital	3	3	–
Total:	46.8	46.8	–

As majority of the funding derives from equity fundings from shareholders in prior years, long-term borrowings and corporate bonds, the Group recorded net current assets position of approximately HK$6,423.0 million (2021: net current liabilities position of approximately HK$2,570.4 million) as at 31 December 2022.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 31 December 2022, the Group had unutilised banking facilities of approximately HK$6,254.6 million in aggregate with terms ranging from repayable on demand to 15 years.

The Group's net debt to liability ratio, calculated as the sum of net debt (defined as the corporate bonds, bank loans and other borrowings, net of cash and cash equivalents and other lease liabilities) divided by the sum of net debt and total equity, was approximately 64% (2021: approximately 71%) as at 31 December 2022. The decrease in net gearing ratio was mainly due to (i) cash inflow from the SDHG Subscription; and (ii) the decrease in other borrowings for the purpose of funding the development of the clean energy businesses.

3. MATERIAL ASSETS REORGANISATION

On 15 March 2021, Tianjin Beiqing Electric Smart Energy Co., Ltd.* (天津北清電力智慧能源有限公司) ("**Beiqing Smart**"), an indirect non-wholly owned subsidiary of the Company, entered into an agreement of Intent on Material Assets Reorganisation with SEC Electric Machinery Co., Ltd.* (中電電機股份有限公司) ("**SEC Electric**") pursuant to which Beiqing Smart and SEC Electric proposed to undertake a material asset swap transaction, whereby SEC Electric will use all or part of its assets, liabilities and businesses to swap with the equivalent value of part of the equity interests of Beiqing Smart held by Tianjin Fuqing Investment Co., Ltd.* (天津富清投資有限公司) ("**Tianjin Fuqing**"), an indirect wholly-owned subsidiary of the Company and one of the direct shareholders of Beiqing Smart (the "**Asset Swap**"). Upon completion of the Asset Swap, SEC Electric will acquire all the remaining equity interests of Beiqing Smart from all the shareholders of Beiqing Smart through the issuance of A-shares of SEC Electric.

On 26 March 2021, SEC Electric, Tianjin Fuqing, all the shareholders of Beiqing Smart (other than Tianjin Fuqing) ("**Other Beiqing Smart Shareholders**") and Mr. Wang Jianyu* (王建裕先生) and Mr. Wang Jiankai* (王建凱先生) ("**Existing SEC Electric Shareholders**") entered into the material asset framework agreement dated 26 March 2021 with, among others, Tianjin Fuqing, SEC Electric, the Existing SEC Electric Shareholders and the Other Beiqing Smart Shareholders in relation to, among others, the Asset Swap; the disposal of the all remaining equity interest of Beiqing Smart held by Tianjin Fuqing and the Other Beiqing Smart Shareholders to SEC Electric; and the new ordinary share(s) in the share capital of SEC Electric to be issued to Tianjin Fuqing and the Other Beiqing Smart Shareholders to satisfy the consideration payable by SEC Electric to Tianjin Fuqing and the Other Beiqing Smart Shareholders; and the proposed transfer of part of SEC Electrics shares from the Existing SEC Electric Shareholders to Tianjin Fuqing.

On 24 September 2021, Tianjin Fuqing, and the Other Beiqing Smart Shareholders entered into an agreement of reorganisation with SEC Electric and the Existing SEC Electric Shareholders under which:

i. SEC Electric will transfer all of its assets and liabilities (other than assets of SEC Electric that SEC Electric will not transfer to its subsidiary Wuxi SEC Electric Technology Co., Ltd.* (無錫中電電機科技有限公司) (the "**Disposed SEC Electric Subsidiary**") upon the completion of the Proposed Reorganisation (the "**Retained Assets of SEC Electric**")) to the Disposed SEC Electric Subsidiary, and will use 60% of the equity interests of the Disposed SEC Electric Subsidiary to exchange for 3.11% of the equity interests held by Tianjin Fuqing in Beiqing Smart. Tianjin Fuqing will purchase the remaining 40% equity interests in the Disposed SEC Electric Subsidiary for cash consideration of RMB254,400,000;

ii. Tianjin Fuqing and the Other Beiqing Smart Shareholders will sell the Other Beiqing Smart interest, representing 96.89% of the equity interests in Beiqing Smart, to SEC Electric for RMB11,876,598,100, which will be satisfied by SEC Electric by way of the issuance of an aggregate of 1,175,900,807 new SEC Electric shares at the issue price of RMB10.10 per SEC Electric share to each of Tianjin Fuqing and the Other Beiqing Smart Shareholders; and

iii. the Existing SEC Electric Shareholders, will transfer 31,304,347 existing SEC Electric shares which held by them at the consideration of RMB12.19 per SEC Electric share, representing the 13.31% of the equity interests in SEC Electric to Tianjin Fuqing for the aggregate consideration of approximately RMB381,600,000, which will be satisfied by Tianjin Fuqing procuring SEC Electric to transfer 60% of the equity interests in the Disposed SEC Electric Subsidiary to the Existing SEC Electric Shareholders or the nominee designated by the Existing SEC Electric Shareholders. The Existing SEC Electric Shareholders will also acquire the remaining 40% of the equity interests in the Disposed SEC Electric Subsidiary from Tianjin Fuqing for a cash consideration of RMB254,400,000.

Upon completion of the Proposed Reorganisation, Beiqing Smart will become a wholly-owned subsidiary of SEC Electric and Tianjin Fuqing will become the controlling shareholder of SEC Electric holding approximately 68.55% of the equity interests of SEC Electric as enlarged by the allotment and issuance of the Consideration Shares, and the Existing SEC Electric Shareholders will hold the entire equity interest in the Disposed SEC Electric Subsidiary. Accordingly, SEC Electric will become an indirect non-wholly owned subsidiary of the Company focusing on the businesses of investment and development of photovoltaic power plants and wind power plants in the PRC.

On 25 February 2022, Tianjin Fuqing, Beiqing Smart, the Other Beiqing Smart Shareholders, the Existing SEC Electric Shareholders and SEC Electric entered into the termination agreement (the "**Termination Agreement**") in relation to the proposed material asset reorganisation ("**Proposed Reorganisation**"), pursuant to which the parties have mutually agreed to terminate the Proposed Reorganisation. Upon the entering into of the Termination Agreement and save as agreed among the parties on the responsibilities for the payment of the expenses for professional services in relation to the Proposed Reorganisation incurred, the parties will be released from any rights and obligations under the agreements and documents entered into in relation to the Proposed Reorganisation.

Further details are set out in the Company's announcements dated 15 October 2021, 25 January 2022, 26 January 2022, 17 February 2022 and 25 February 2022. Save as disclosed above, there is no reorganization of other major assets of the Group as at this Year.

4. CHARGE ON THE GROUP'S ASSETS

The secured bank loans and other borrowings and bills payables of the Group as at 31 December 2022 are secured by:

i. pledges over certain of the Group's property, plant and equipment and operating concessions;

ii. pledges over certain of the Group's trade receivables and contract assets;

iii. pledges over the Group's equity interests in certain subsidiaries and an associate;

iv. guarantees given by the Company and/or its subsidiaries; and/or

v. pledges over certain of the Group's bank balances.

For more details please refer to note 31 to the financial statements. Save as disclosed above, at 31 December 2022, the Group did not have any charges on the Group's assets.

5. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2021: Nil).

6. FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Year, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

7. EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 1,953 full-time employees (2021: 1,911 full-time employees) with total staff cost of approximately HK$356.9 million incurred for the Year (2021: approximately HK$367.0 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

8. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES AND JOINT VENTURES

Save for the acquisition of an aggregate of approximately 19.7621% interests in Beiqing Smart pursuant to the exercise of Options granted to the Investors and Great First on 30 November 2022 and acquisition of the entire equity interests in each of Shangqiu Ningdian New Energy Co., Ltd.*（商丘寧電新能源有限公司）, Lankao Gold Wind Power New Energy Co., Ltd.*（蘭考金風清電新能源有限公司）and Shenqiu Yingdian New Energy Co., Ltd.*（沈丘潁電新能源有限公司）(collectively as the "**Target Companies**") pursuant to the equity transfer agreements dated 20 December 2022, there were no significant investments material acquisition and disposal of subsidiaries, associates and joint ventures held by the Group for the Year. For more details of the exercise of the Options, please refer to the section headed "Connected Transactions – (V) Exercise of Options" of this report, and in the joint announcement of the Company and SDHG dated 30 November 2022. For more details of the acquisition of the Target Companies, please refer to note 48 to the financial statements and the joint announcement of the Company and SDHG dated 20 December 2022.

9. PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fluctuation in currency exchange rates

The Group primarily operates its businesses in the PRC and most of its transactions are mainly denominated in RMB. The value of RMB against HK$ and other currencies may fluctuate and is affected by, among others, changes in the economic conditions and policies. The conversion of RMB into foreign currencies, including HK$, has been based on rates as promulgated by the People's Bank of China. The Group monitors foreign exchange exposures and takes appropriate measures to mitigate and manage the risk on a timely and effective manner by, including but not limited to, raising debt financing denominated in RMB to match the currency of operating cash flows.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. During the Year, the Group steadily expanded the clean energy businesses, which require material funding in investment and development stages. In managing the liquidity risk, the Group, among others, (i) obtains long-term bank loans and other borrowings and the SDHG Subscription as detailed under the section headed "2.23 Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities; and (iii) timely monitors the settlements of receivables.

Policy risks

The Group's clean energy businesses are dependent on the relevant governmental support measures (including the preferential tax policies, subsidies and government grants, electricity generation dispatch priority, laws and regulations, etc.) for steady and healthy development. Although the Chinese government has been supportive to the growth of the clean energy businesses, it is possible that the existing governmental support measures will be modified. The Group will strictly cohere to the government measures and will closely monitor the policy planning to grasp the business opportunities and get understanding on the risks associated with the policy modifications in advance.

Other business risks

The risks and uncertainties on the Group's clean energy businesses, in particular the Photovoltaic Power Business and the Wind Power Business, also comprise (i) the risks on project performance; and (ii) grid curtailment risks. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks on project performance, the Group places significant emphasis on, among others, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) human capital and technical strengths; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of these businesses. On the other hand, in mitigating the curtailment risks, the Group strategically focuses on developing the Photovoltaic Power Business and the Wind Power Business in regions which are well-developed with power transmission network and with stronger economy and electricity demand, and in general do not have curtailment issue.

10. CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

The Group is dedicated to environmental sustainability and combat climate change by strategically expanding into the Photovoltaic Power Business, the Wind Power Business, the Clean Heat Supply Business and other clean energy businesses, which offer clean energy and make valuable contributions to the widespread use of renewable energy. The Group is also committed to sustainable development of the environment, minimising the environmental impact of its operations by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management.

Compliance with relevant laws and regulations

During the Year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationship with stakeholders

The Group recognises that stakeholders including employees, shareholders and investors, customers, suppliers and contractors, government entities, industry partners and community partners are the key to corporate sustainability and is keen on developing long-term relationships with these stakeholders. Some examples on supporting and communicating with the stakeholders include:

(a) Employees : The Group places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

(b)	Shareholders and investors	:	Details of which are set out in the section headed ''Investor Relations'' in the ''Corporate Governance Report'' of this annual report.
(c)	Customers	:	The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.
(d)	Suppliers and contractors	:	The Group is dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

Further details of the Group's commitment and strategies to sustainability and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core businesses of the Group for the year ended 31 December 2022 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2022, which was published on the websites of the Company (www.shneg.com.hk) and the Stock Exchange (www.hkexnews.hk).

* *For identification purposes only*

FUTURE OUTLOOK

Today, China and the world are facing a profound energy transformation. Energy supply and consumption are accelerating the evolution of low-carbon, zero-carbon direction. Vigorous development of renewable energy has become a global concerted action. China has elevated new energy to the level of building a modern industrial system, making it a strategic emerging industry alongside the new generation of information technology, artificial intelligence, green environmental protection, etc. It will assume the important role of a new engine of economic growth, and seize the historic opportunity of new energy development to capture the high ground of future development.

According to the National Renewable Energy Development Plan* (《國家可再生能源發展規劃》), renewable energy will gradually grow into the main energy supporting economic and social development, become the main power source in the power system, and become the main force of the "Carbon Dioxide Peaking and Carbon Neutrality" strategy. In January 2022, the National Energy Administration issued "Blue Book on the Development of New Power Systems (Draft for Comments)*" (《新型電力系統發展藍皮書(徵求意見稿)》) which has planned the new energy turning into the main source of incremental power generation by 2030, with the installed capacity accounting for over 40% and power generation accounting for over 20%. In May 2022, the National Energy Administration issued "Implementation Plan on Promoting the High– Quality Development of New Energy in the New Era*" (《關於促進新時代新能源高品質發展的實施方案》) to support the healthy development of the new energy industry in seven policy areas, including development and utilisation mode. In addition, special policies for financial support for green and low-carbon development have been introduced successively. Green finance and green credit will continue to increase support for new energy projects. The Company will receive strong support from financial institutions for the Company's clean energy projects. The new energy industry is during the best financing window period in its history.

In the face of unprecedented opportunities for industry development, the Company will plan sustainable development with greater confidence and highlight the leading role of market development. Relying on fully market-oriented governance, decision-making, operation, incentives and other mechanisms, the Company will build a large-scale development system led by the development department with the collaborative empowerment of the middle and back offices in order to comprehensively straighten out investment decision-making and other mechanisms, improve development work efficiency and decision-making competitiveness, continue to promote the steady growth of the Company results and installed capacity, and establish a widely influential brand image and corporate reputation in the industry.

The first is to establish a development model that is highly in line with the market, scientific and reasonable, highly competitive and viable. The Company will expand resources and optimise the project development model. Through the combination of various market-oriented development models such as independent, cooperative, and entrusted development, the Company will continue to capture project resources, focus on deepening the deployment in Shandong province and other high-quality provinces and regions with better new energy consumption conditions in central, east and southern China, and actively strive to participate in the high-quality large base projects in the Three Northern Areas and the Southwest. Focusing on current resources network load storage, coupled with new models emerging such as offshore wind power, wind solar hydrogen production, wind photovoltaic hydrogen production + methanol, wind solar hydrogen production + synthetic ammonia, etc., the Company will make in-depth and prudent research along with active exploration, so as to enhance the ability to acquire high-quality projects;

The second is to deepen external cooperation, innovate cooperation models, and build a broad circle of friends for mutual benefits and industry collaboration. The Company will actively adapt to the new changes in the new energy development, deepen mutually beneficial cooperation in industries, and enrich external cooperation models. The Company will form longterm and stable cooperative development partnerships with major component and equipment manufacturers, engineering, design and other enterprises to enhance resource matching capabilities. Through the deep binding of partners, the Company will jointly open up new development paths;

The third is to actively operate large strategic projects to facilitate the Company's great progress. The Company will actively and steadily promote the high-quality project opportunities of wind power, photovoltaic power and hydropower storage base centred on large-scale pumped-storage projects, carry out pre-feasibility study preparation and other pre-project work in an orderly manner, and firmly grasp the initiative of the project;

The fourth is to rely on the strong empowerment of important shareholders such as SDHG and BEWG to strengthen internal coordination and linkage, and create new development models and new highlights of "big transport + new energy" and "big environmental protection + new energy". On the basis of continuing to maintain coordination with BEWG, an important shareholder, and expanding the distributed project layout of water plants, the Company will accelerate the integration into the Shandong Hi-speed Group ecosystem, make full use of the ecosystem resources of the Shandong Hi-speed system, and implement a package of "comprehensive energy low-carbon and zero-carbon solutions" in Shandong Hi-speed's service area, focusing on the construction of distributed photovoltaics, energy storage, charging piles and sewage treatment, and combined cooling, heating and power supply. The Group has co-operated with the subsidiaries under Shandong Hi-Speed Group to develop distributed photovoltaics development projects for the whole County, to develop overseas wind power photovoltaic projects as well as new energy base projects in the Three Northern Areas and the Southwest;

The fifth is to vigorously expand into light-asset agency operations and maintenance market with the goal of creating a professional brand of operations and maintenance. Based on the centralised control platform, the Company will continue to promote and explore the potentials of digital and intelligent operations and maintenance, hoping to bring low-cost competitive advantages by promoting continuous improvement and cost reduction for operations and maintenance capability. Leveraging on our solid and professional independent operation and maintenance capabilities, we will seize the market opportunities arising from the rapid increase in demand for new energy operation and maintenance outsourcing, maintain close cooperation with large-scale state and state-owned energy enterprises in terms of operations and maintenance, vigorously expand its scale of light-asset operations and maintenance, and capitalise on existing resources for further development and expansion, so as to create a well-recognised operation and maintenance brand for Shandong Hi- Speed New Energy in the industry; and

The sixth is to strengthen technology and innovation empowering the development of the Company. By enhancing our technology empowerment development in the industry to strategic level and relying on a team of high-quality technical professionals who are experienced in the research and development of clean energy power generation technologies, we will focus on core and cutting-edge technologies of clean energy, keep abreast with the development trend of new technologies, new materials, and new processes and take the lead in technological innovation. We will also provide comprehensive technical support for market development, engineering construction, equipment application, and cost control. With strengthened independent research and development of key technologies and key applications, we will provide a wide range of technologies that can meet different technical requirements and application platforms for technology research and development through our operations and maintenance stations covering various terrains, regions, landforms and other diversified scenarios such as wind and photovoltaics, heat and environmental protection. The Company aims to increase the conversion efficiency of scientific and technological achievements and the level of industrialization, to promote structural upgrade and optimization of the industry, thus injecting strong technological momentum for the Company's rapid development.

Looking into the future, the Company will anchor the new positioning of Shandong Hi-Speed Group as the main force of emerging industries and the flagship of new energy with the development, investment and operation of wind power and photovoltaic new energy and urban clean heating services as core business, the Company will become a flagship new energy enterprise under Shandong Hi-Speed Group. The Group will fully utilise the new energy business as a green engine to promote the integration and development of infrastructure and energy network. The Company aims to become a domestic new energy integrated operator and service provider which is fully market-oriented with core competitiveness and sustainable and high-quality development, and strives to become a leading player in the industry.

* *For identification purposes only*

For the six months ended 30 June 2023

1. BUSINESS REVIEW

The year of 2023 marked the first anniversary of the Group's new beginning and was an important milestone. In the past year, the Group underwent significant changes and development, becoming a subsidiary of SDHG. Empowered with the capital, resources and brand of SDHG, the Group's business has successfully returned to the development track and firmly grasped the opportunities of the new energy industry.

In the first half of 2023, the principal businesses of the Group remained steady growth, with an actual power generation reaching 3.322 million MWh, representing a year-on-year increase of 8.5%. Meanwhile, our core financial indicators such as revenue and net profit also achieved the expected targets. The market image of the Group continued to upgrade, as demonstrated by the fact that our stock has been included in the Hang Seng Composite Index and the Hong Kong Stock Connect and received recognition from the capital market.

In the second half of 2023, the Group is confident that it will strive to fully achieve its established operating targets while ensuring safe production. Look forward to the future development, the Group will continue to adhere to the concept of "lucid waters and lush mountains are invaluable assets". We strive to build ourselves as a flagship new energy enterprise under Shandong Hi-Speed Group anchoring the core businesses in photovoltaic and wind power. The Group will continue to be committed to promoting sustainable development and helping the country achieve the goals of Carbon Dioxide Peaking and Carbon Neutrality.

During the six months ended 30 June 2023, the Group was principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC. A summary of the results for the Reporting Period is set out below:

Financial highlights:

	For the six months ended 30 June		
	2023	**2022**	**Change**
	(unaudited)	(unaudited, restated)	
	HK$'000	*HK$'000*	*%*
Revenue	2,769,414	2,938,362	(6)
Gross profit	1,489,031	1,369,400	9
Gross profit margin *(%)*	53.8	46.6	7.2
Profit for the period	355,418	342,551	4
Profit attributable to the equity holders of the Company	359,530	360,914	–
Basic earnings per share *(in HK cent(s))*	16.00	23.91	(33)
EBITDA	1,977,458	1,971,834	–
Total assets	50,334,385	52,028,265	(3)
Total equity	14,428,659	15,091,724	(4)
Cash and cash equivalents	3,178,265	3,637,264	(13)

As a clean energy project owner and operator, the Group's revenue contribution from the sale of electricity and entrusted operations businesses remained stable. During the Reporting Period, the power generation of the Group on a consolidated basis amounted to approximately 2.898 million MWh (six months ended 30 June 2022: approximately 2.493 million MWh), representing an increase of approximately 16.2% compared with the corresponding period of 2022. The aggregate operating power generation[#] of the projects held and/or managed by the Group, its associates and joint ventures during the Reporting Period was approximately 3.322 million MWh (six months ended 30 June 2022: approximately 3.063 million MWh), representing an increase of approximately 8.5% compared with the corresponding period of 2022.

Through focusing on the power generation business with more sustainability, enhancing the quality and efficiency of the existing projects and further optimizing its business portfolios by implementing the cost reduction and efficiency enhancement policies, the Group has successfully optimized its revenue and business structure with a view to improving the Group's overall performance.

Profit for the six months ended 30 June 2023 of the Group was approximately HK$355.4 million (six months ended 30 June 2022: approximately HK$342.6 million), representing an increase of approximately 4% as compared to the corresponding period of the last year. Profit attributable to the equity holders of the Company was approximately HK$359.5 million (six months ended 30 June 2022: approximately HK$360.9 million), which was maintained a comparable level of the corresponding period of the last year.

[#] The operating power generation included (i) the power generation of the projects held by the Group, its associates and joint ventures; and (ii) the power generation of the projects managed by the Group through the provision of entrusted management services.

Further details of the discussion of financial performance are set out in the section headed "2. Financial Performance" in "Management Discussion and Analysis". Analysis of the business performance is set out below.

1.1 Sale of Electricity and Entrusted Operation Services

During the six months ended 30 June 2023, the Group made steady progress in its principal businesses, and steadily and orderly developed its operating capacity through gradually increasing its efforts in the investment, development, construction, operation and management of clean energy power plant projects. The aggregate revenue in respect of the sale of electricity and the provision of entrusted operation services amounted to HK$2,326.3 million (six months ended 30 June 2022: approximately HK$2,143.3 million), representing an increase of approximately 9% as compared to the corresponding period of the last year. During the Reporting Period, the Group's aggregate capacity of on-grid, under-construction or approved-to-construct grid projects could reach over 720 MW, among which approximately 450MW were under construction and expected to be connected to the grid during the year.

The guidance from national policy was further clarified, in June 2022, "the "14th Five-Year" Renewable Energy Development Plan*"(《「十四五」可再生能源發展規劃》) was jointly issued by the NDRC and the other eight government authorities, which stated that by 2025, the annual power generation from renewable energy will reach about 3.3 trillion kilowatt hour, increasing by 50% compared to 2020. In April 2023, the National Energy Administration issued the "Guiding Opinions on Energy Work in 2023*"(《2023年能源工作指導意見》), which clearly put forward a number of major works including further deepening the green and low-carbon transformation of energy, consolidating the development advantages of wind power and photovoltaic industry, and continuously expanding the supply of clean and low-carbon energy. It is advocated to vigorously develop wind and solar power generation, promote the grid-connection and operation of the first batch of large-scale wind power and photovoltaic base projects that were primarily located in the deserts, the Gobi regions and the wilderness regions, and build the second and the third batch of such projects to actively promote the large-scale development of solar thermal power generation. It is expected that the annual installed capacity of wind power and photovoltaic power plants will increase by about 160 million kilowatts. The management believes that the wind power and photovoltaic power generation industry is entering the fast lane with the support of national policies, and the Group will seize the national opportunities to return to the rapid development stage. Going forward, the Group will unswervingly focus on development with practical measures and management with strict measures, and accelerate the pace of development in the new energy industry through the two-pronged approach.

1.1.1 Photovoltaic Power Plant Projects

(a) Scale and performance of the centralised photovoltaic power plant projects

During the six months ended 30 June 2023, the Group's centralised photovoltaic power business operated steadily. The Group recorded revenue of approximately HK$1,204.0 million (six months ended 30 June 2022: approximately HK$1,233.9 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing approximately 43% (six months ended 30 June 2022: approximately 42%) of the Group's total revenue during the six months ended 30 June 2023.

As at 30 June 2023, 52 (30 June 2022: 52) centralised photovoltaic power plants, covering 13 provinces, 2 autonomous regions and 1 municipality in the PRC and 1 (30 June 2022: 1) centralized photovoltaic power plant in Whyalla, Southern Australia, Australia held by the Group were in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,362MW (30 June 2022: 2,306MW), details of which are set forth below:

		30 June 2023			30 June 2022		
Location	Photovoltaic resource area	Number of plants	Approximate total on-grid capacity	Approximate power generation *(Note 1)*	Number of plants	Approximate total on-grid capacity	Approximate power generation *(Note 1)*
			(MW)	*(MWh)*		*(MW)*	*(MWh)*
PRC-Subsidiaries:							
Hebei Province	II/III	18	628	435,327	17	602	394,211
Henan Province	III	3	264	147,953	3	264	171,668
Shandong Province	III	5	243	157,808	5	248	162,908
Guizhou Province	III	4	209	105,610	4	211	96,734
Anhui Province	III	6	190	108,244	6	191	117,426
Shaanxi Province	II	2	160	113,638	2	160	123,651
Jiangxi Province	III	3	125	60,648	3	125	55,720
Jiangsu Province	III	1	100	75,051	1	100	82,494
The Ningxia Hui Autonomous Region	I	1	100	72,255	1	100	80,760
Hubei Province	III	3	70	34,427	3	70	35,446
Guangdong Province	III	1	135	62,608	1	37	8,559
Jilin Province	II	1	30	19,941	1	30	21,938
The Tibet Autonomous Region	III	1	30	17,970	1	30	22,449
Tianjin Municipality	II	1	30	21,281	1	30	22,226
Yunnan Province	II	1	22	17,752	1	22	15,483
Shanxi Province	III	1	20	15,300	1	20	15,710
		52	2,356	1,465,813	51	2,240	1,427,383
PRC-Joint ventures *(note 2)*:							
Anhui Province	III	–	–	25,660	1	60	41,008
PRC-Sub-total		52	2,356	1,491,473	52	2,300	1,468,391
Overseas-Subsidiary:							
Whyalla, Southern Australia, Australia	N/A	1	6	1,975	1	6	3,349
Total		53	2,362	1,493,448	53	2,306	1,471,740

The majority of the Group's projects in the PRC were situated in photovoltaic resource areas II and III as promulgated by the NDRC. Management considered such locations were favourable for the development of the Group's Photovoltaic Power Business. Set out below is the projects analysis by photovoltaic resource areas:

	30 June 2023			30 June 2022		
Photovoltaic resource area	**Number of plants**	**Approximate total on-grid capacity** *(MW)*	**Approximate power generation** *(note 1)* *(MWh)*	**Number of plants**	**Approximate total on-grid capacity** *(MW)*	**Approximate power generation** *(note 1)* *(MWh)*
PRC-Subsidiaries:						
I	1	100	72,255	1	100	80,760
II	12	447	326,958	12	449	342,766
III	39	1,809	1,066,600	38	1,691	1,003,857
	52	2,356	1,465,813	51	2,240	1,427,383
PRC-Joint ventures *(note 2)*:						
III	–	–	25,660	1	60	41,008
Total	52	2,356	1,491,473	52	2,300	1,468,391

Note 1: It represented the approximate aggregate power generation of certain projects from the later of (i) the completion dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation does not reflect a full period performance of these operations.

Note 2: The Company's 60MW photovoltaic power project in Yingshang County, Fuyang City, Anhui Province (the "**Yingshang Project**"), located in Lukou Town, Yingshang County, Fuyang City, Anhui Province, the PRC, was completed and put into operation in 2016, with an installed capacity of 60MW (i.e., approximately 1.5% of the total installed capacity held by the Company). During the period of 30 June 2023, the Yingshang Project had completed all the compliance procedures in relation to the requirements of the grid integration, and had been included into the 2020 national subsidies list*（二零二零年國補清單）and the 2022 national subsidies verification list for the first batch of compliant projects*（二零二二年國補核查首批合規項目列表目錄）.

In the second quarter of 2023, the Company received a notice from the Office of the Leadership Team of the Rectification Work of the Central and Provincial Ecological and Environmental Protection Inspectors of Yingshang County, which required the Yingshang Project to cease operation and be dismantled by 30 September 2023, and the Company immediately commenced discussions and meetings with the People's Government of Yingshang County on the arrangement of the Yingshang Project. Subsequent to the governmental meeting, the Company and the relevant governmental departments performed a series of assessments on the work of dismantling the Yingshang Project and mutually formulated rectification and work plans (the "**Rectification Plan**"), and maintained continuous dialogue with the People's Government of Yingshang County in relation to the rectification work. Based on the aforesaid assessments and the latest development of ongoing dialogue with the relevant governmental departments, during the period of 30 June 2023, the operation of the Yingshang Project had been ceased.

As at the date of this report, the Company has taken certain proactive measures, including filing an administrative review with the People's Government of Yingshang County, initiating the application process for off-site redevelopment of photovoltaic power generation and obtaining in-principle consents from various bureaus in Yingshang County, formulating corresponding plans for the reuse of the equipment and actively applying for various compensations or subsidies with the local government with a view to minimizing the impact of the dismantling of the Yingshang Project on the Company. The Company will make announcement(s) regarding the Rectification Plan or future material updates on the Yingshang Project if necessary.

(b) Key data performance of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the Reporting Period

	30 June 2023	**30 June 2022**	**Changes**
Weighted average utilisation ratio *(%)*	92.80%	94.70%	(1.90)%
Weighted average utilisation hours *(hours)*	627	651	(24)

During the six months ended 30 June 2023, the weighted average utilisation hours of the Group reached 627 hours, which was lower than the national average utilisation hours of photovoltaic power of 658 hours in the PRC. The weighted average utilisation ratio for the six months ended 30 June 2023 was lower than that of the corresponding period of the last year.

(c) Scale and performance of the distributed photovoltaic power plant projects

In respect of the distributed photovoltaic power business, as at 30 June 2023, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation reached approximately 800MW, mainly located in photovoltaic resource area III as promulgated by the NDRC such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity from the Group's distributed photovoltaic power plants reached approximately HK$394.0 million during the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK$338.8 million).

The strategy of the Group's distributed photovoltaic power business is mainly divided into three parts. Firstly, we will focus on and give priority to state-owned enterprises and leading enterprises in the industry when selecting rooftop resources, and work closely with quality owners with good reputation and load absorbing capacity. Secondly, by virtues of the Shareholders' resources, we strive to pioneer and build the first innovative "Photovoltaic + Sewage Treatment" model across the photovoltaic industry. Thirdly, we will utilise the resources endowments peculiar to various applications of expressways, resources such as ramp circles on expressways, toll stations, service areas, tunnels, slopes and logistics parks can all be served for planning, development and application of new energy.

On 18 September 2022, the Company and Shandong Hi-Speed Group entered into the non-legally binding "Memorandum of Cooperation of Shandong Hi-Speed Group Co., Ltd. supporting high-quality development of Shandong Hi-Speed New Energy Group Limited*"(《山東高速集團有限公司支持山高新能源集團有限公司高質量發展合作備忘錄》). The Shandong Hi-Speed Group will use service areas, logistics parks and other areas with suitable conditions to support the Company in building low or zero carbon service areas, parks and cities constructions, and the Company will provide a series of integrated green energy solutions for the Shandong Hi-Speed Group. According to preliminary estimation, the installed capacity of potential scene applications may reach 4 gigawatt.

With the empowerment of Shandong Hi-Speed Group, the above strategy and development have begun to achieve success. The "Gushan Service Area Photovoltaic Storage and Charging Integrated Project"*(崮山服務區光儲充一體項目), the first project cooperated with Shandong Hi-Speed Group, has been completed and put into operation last year. The project is a pilot distributed project using the service area of expressways and other supporting facilities as the application site, which officially opened the prelude to the scene application of "Traffic Energy Integration" and "New Energy + New Infrastructure". The Group will continue to promote the development work in an orderly manner. During the Reporting Period, the Group has been negotiating service area projects in certain regions and expects that more related projects will be implemented within this year.

In the long run, the Group will develop new business models based on its extensive transportation application landscape and territorial resources, including "Slope Photovoltaic" in expressway, "Sound Insulation Screen Photovoltaic", "Toll Station + Distributed Photovoltaic or Distributed Wind Power", "Service Area + Distributed Photovoltaic or Distributed Wind Power" and other forms, combined with the rational use of local resources, to develop the field of distributed comprehensive energy services. Meanwhile, in terms of development strategy, the Group focuses on acquiring, confirming, maintaining and expanding of high-quality major customers who own first-hand resources, maintaining and expanding existing high-quality major customer resources and actively exploring the acquisition and confirming of new high-quality major customer resources.

(d) Entrusted management services

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK$7.3 million (six months ended 30 June 2022: approximately HK$9.0 million) was recognised during the six months ended 30 June 2023.

1.1.2 Wind Power Plant Projects

(a) Scale and performance of the wind power plant projects

During the six months ended 30 June 2023, the Group recorded revenue of approximately HK$654.9 million (six months ended 30 June 2022: approximately HK$508.1 million) from the sale of electricity from the wind power plants.

As at 30 June 2023, total 16 (30 June 2022: 13) wind power plants covering 4 provinces and 1 autonomous region in the PRC with an aggregate on-grid capacity of 790MW (30 June 2022: 588MW) were held by the Group and in operation. Details are set out below:

Location	Wind resource area	30 June 2023 Number of Plants	30 June 2023 Approximate total on-grid capacity (MW)	30 June 2023 Approximate aggregate power generation (Note) (MWh)	30 June 2022 Number of Plants	30 June 2022 Approximate total on-grid capacity (MW)	30 June 2022 Approximate aggregate power generation (Note) (MWh)
PRC-Subsidiaries:							
Henan Province	IV	8	373	497,343	5	171	206,030
Shandong Province	IV	2	148	198,196	2	148	195,346
The Inner Mongolia Autonomous Region	I	4	119	224,800	4	119	179,874
Hebei Province	IV	1	100	163,271	1	100	155,918
Shanxi Province	IV	1	50	67,724	1	50	47,821
Total		16	790	1,151,334	13	588	784,989

The majority of the Group's wind power plant projects in the PRC were situated in wind resource area IV as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Wind Power Business. Set out below the projects analysis by wind resource areas:

Wind resource area	30 June 2023 Number of Plants	30 June 2023 Approximate total on-grid capacity (MW)	30 June 2023 Approximate aggregate power generation (Note) (MWh)	30 June 2022 Number of Plants	30 June 2022 Approximate total on-grid capacity (MW)	30 June 2022 Approximate aggregate power generation (Note) (MWh)
PRC-Subsidiaries:						
I	4	119	224,800	4	119	179,874
IV	12	671	926,534	9	469	605,115
Total	16	790	1,151,334	13	588	784,989

Note: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation does not reflect a full period performance of these operations.

(b) Key data performance of the wind power plant projects held by the Group and in operation on or before the beginning of the Reporting Period

	30 June 2023	30 June 2022	Changes
Weighted average utilisation ratio *(%)*	96.95%	97.34%	(0.39)%
Weighted average utilisation hours *(hours)*	1,490	1,362	128

During the six months ended 30 June 2023, the weighted average utilisation hours of the Group reached 1,490 hours, which was higher than the national average utilisation hours of wind power of 1,237 hours in the PRC. The Group's wind power plant projects are mainly located in wind resource area IV as promulgated by the NDRC and therefore with a higher average utilisation hours. The weighted average utilisation ratio for the six months ended 30 June 2023 was basically in line with the corresponding period of the last year.

(c) Entrusted management services

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK$61.7 million (six months ended 30 June 2022: approximately HK$45.9 million) was recognised during the six months ended 30 June 2023.

1.2 Engineering, Procurement and Construction and Related Services

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has a couple of qualifications and extensive experience in the design, engineering and construction of power-related projects. Revenue of approximately HK$60.7 million (six months ended 30 June 2022: approximately HK$145.8 million) in aggregate arising from provision of engineering, procurement and construction and related services was recognized during the six months ended 30 June 2023, representing approximately 2% (six months ended 30 June 2022: approximately 5%) of the Group's total revenue during the six months ended 30 June 2023.

1.3 Provision of Clean Heat Supply Services

In April 2023, the National Energy Administration issued the "Guiding Opinions on Energy Work in 2023*"(《2023年能源工作指導意見》), stating that the active and steady promotion of green and low-carbon transformation shall be persisted. The opinions stated that the work of carbon peaking in energy field shall be further promoted, specifically, China shall accelerate the establishment of new power systems, vigorous develop non-fossil energy, so as to consolidate the basis of safe and reliable replacement of new energy; besides, it shall, with an aim of solidly promoting the adjustment and optimization of energy structure, strengthen the clean and efficient coal utilisation and especially focus on controlling fossil energy consumption. With existing supportive government policies issued, such as "The "14th Five-Year" Plan for a Modern Energy System*"(《「十四五」現代能源體系規劃》) by the NDRC and the National Energy Administration in March 2022, which encouraged the local governments to actively support clean heat supply projects according to local conditions, and encouraged the use of geothermal energy for clean heat supply projects. In June 2022, "The "14th Five-Year" Renewable Energy Development Plan*" 《「十四五」可再生能源發展規劃》) was jointly issued by the NDRC and the other eight government authorities, which promoted the use of large and medium-sized boilers for central heating in urban and other populated areas. As the national policies trend further indicated, the clean heat supply industry is full of development opportunities, and the Group will continue to actively respond to national policies, seize the opportunities arising from the new round of industrial revolution, vigorously develop our clean heat supply business, continuously increase our investments in technology research and development, actively explore green, low-carbon and environmentally friendly clean heat supply methods.

As at 30 June 2023, through development and business acquisitions, 12 projects (30 June 2022: 14 projects) held and/or managed by the Group and its joint ventures through the use of natural gas, electricity, geothermal energy, biomass, photovoltaic power generation, industrial waste heat energy, clean coal-fired (ultra-low emission) energy, river water and other clean energy sources, located in Henan Province, Shanxi Province, Shaanxi Province, Ningxia Hui Autonomous Region, Liaoning Province and other provinces and autonomous regions, in operation with an aggregate actual clean heat supply area reached approximately 33.45 million square meters ("**sq.m.**") (30 June 2022: approximately 45.34 million sq.m.), representing a year-on-year decrease of approximately 26%; and the number of clean heat supply services users of approximately 196,602 households (30 June 2022: approximately 296,881 households), representing a year-on-year decrease of approximately 34%. Revenue of approximately HK$382.4 million (six months ended 30 June 2022: approximately HK$649.3 million) arising from the provision of clean heat supply services was recognised by the Group during the six months ended 30 June 2023, representing a decrease of approximately 41% as compared to the corresponding period of the last year. Such decrease was mainly due to the effects of exit operations of certain projects held and/or managed in the last year.

Among them, details of actual clean heat supply area and the number of clean heat supply services users of the projects in operation which were held and/or managed by the Group and its joint ventures are as follows:

Region	Approximate actual clean heat supply area			Approximate heat supply services users		
	30 June 2023 (’000 sq.m.)	30 June 2022 (’000 sq.m.)	Year-on-year change (%)	30 June 2023 (households)	30 June 2022 (households)	Year-on-year change (%)
North region, China	10,112	13,990	(27.7)	84,582	107,341	(21.2)
Northeast region, China	14,680	22,684	(35.3)	44,176	125,984	(64.9)
Northwest region, China	6,514	6,688	(2.6)	51,904	48,825	6.3
East region, China	2,146	1,973	8.8	15,940	14,731	8.2
Central region, China	–	–	0.0	–	–	0.0
	33,452	45,335	(26.2)	196,602	296,881	(33.8)

1.4 Other Clean Energy Business

The Group has been exploring other clean energy businesses such as multi-energy complement, hydropower, energy storage, hydrogen production, distribution and sales of electricity, power exchange and other business lines, and exploring alternative new energy utilization model, scene, and gradually developing international opportunities for strategic and synergistic development, with an aim to become a national leading integrated new energy service provider. The Group has also entered into several strategic framework agreements with certain local governments, well-established enterprises, authoritative institutions and industrial associations, and proactively established partnerships to seek joint development in the field of clean energy for the purpose of mutual benefits and complementarity.

In terms of energy storage business, as a pioneer in energy storage applications, the Group is promoting the development of the first pumped energy storage project in Guangdong Province, China. The pumped-storage project has a large volume and high energy efficiency, which becomes an indispensable green energy storage solution using physical quantities such as potential energy of water body and height difference as the power source of turbine units. Through project construction and actual operation, we play a significant role in maintaining the stability of local power grid systems, promoting local economic development, and providing green jobs.

In terms of clean heat supply, we have been actively exploring to provide more convenient services related to livelihood and environmental protection through "cooling and heating generation" and others to more residents, industrial and commercial users, so as to foster green concept and culture, and clean heat deep-rooted into different industries and among all walks of life. In respect of solid waste and used oil treatment and processing operations, Shandong High Speed Renewable Energy Group Limited (a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: SZ.000803)) ("**SDHS Renewable**", an associate of the Group) has delivered renewable aviation fuel to customer mainly in European Union's aviation industry by "turning waste to value". As one of the first biomass diesel suppliers in the PRC, we have made contributions to green concept development of our country and also taken actions in promoting the transformation of global green energy.

For hydrogen energy business, we actively explore organic integrations including "Energy Storage through Hydrogen Production by Electrolysis of Water using Wind and Light" to realise the industrial transition upgrade from gray hydrogen and blue hydrogen to green hydrogen. Meanwhile, we will also expand into integrated energy management business including hydrogen powered heavy-duty trucks and battery powered heavy-duty trucks operations in order to achieve the dual carbon targets of "Energy Saving and Reducing Emissions" for local areas and the country as early as possible.

In terms of electricity and carbon trading, the Group makes advance arrangements and is actively adapting to new power systems for power market transactions in light of a rapid increase in the market shares of renewable energy, ensuring the dynamic balance between the development of the enterprises and the power system. The Group strives to enhance green production level of our existing projects by carrying out distinctive reforms, selecting suitable areas, pilot implementation and trial policies using refined, standardised management and intelligent approach. The Group places great emphasis on forward-looking research on both electricity trading and carbon trading markets and is developing carbon-related businesses focusing on basic adjustment of carbon information management, carbon asset development, carbon trading, and carbon finance. Having reviewed the Group's own conditions, the Group's renewable energy power generation projects and the waste oil project of SDHS Renewable, are in line with the support direction of China Certified Emission Reduction (CCER) policy. Hence, we shoulder the responsibilities of "building the 3060 dual–carbon goal and implementing green concept", which aligns with the Group's corporate culture of "Take on the Mission Bravely and Forge Ahead".

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK$2,769.4 million (six months ended 30 June 2022: approximately HK$2,938.4 million) during the six months ended 30 June 2023, representing a decrease of approximately 6% as compared to the corresponding period of the last year. For the six months ended 30 June 2023, (i) revenue from the sale of electricity and entrusted operation services reached approximately HK$2,326.3 million (six months ended 30 June 2022: approximately HK$2,143.3 million) in aggregate, representing an increase of approximately 9% as compared to the corresponding period of the last year, which was mainly due to the acquisition of three wind power companies during the period and the increase in power generation as compared to the corresponding period of the last year; (ii) revenue from construction and related services was approximately HK$60.7 million (six months ended 30 June 2022: approximately HK$145.8 million), representing a decrease of approximately 58% as compared to the corresponding period of the last year, which was mainly due to the optimization and adjustment of the Group's business structure; and (iii) revenue from heat supply reached approximately HK$382.4 million (six months ended 30 June 2022: approximately HK$649.3 million) in aggregate, representing a decrease of approximately 41% as compared to the corresponding period of the last year, which was mainly due to the cessation of heat supply resulting from the planned disposal of certain heat supply companies to the local government at the end of 2022.

	For the six months ended 30 June					
	2023			2022		
	Revenue *(HK$ million)*	Gross profit margin *(%)*	Gross profit *(HK$ million)*	Revenue *(HK$ million)*	Gross profit margin *(%)*	Gross profit *(HK$ million)*
Sale of electricity and entrusted operation services						
Photovoltaic power business	1,598.0	63.0	1,007.5	1,572.7	63.3	995.9
Wind power business	654.9	58.3	381.5	508.1	58.7	298.3
Entrusted operations services	73.4	51.7	37.9	62.5	58.6	36.6
Construction and related services	60.7	5.5	3.3	145.8	5.4	7.9
Provision of clean heat supply services	382.4	15.4	58.8	649.3	4.7	30.7
Total	2,769.4	53.8	1,489.0	2,938.4	46.6	1,369.4

Analysis of the above businesses are set out in the section headed "1. Business Review" in "Management Discussion and Analysis".

Gross profit for the sale of electricity and entrusted operation services increased from approximately HK$1,330.8 million for the six months ended 30 June 2022 to approximately HK$1,426.9 million during the six months ended 30 June 2023, representing approximately 96% (six months ended 30 June 2022: approximately 97%) of the total gross profit of the Group. The contribution of sale of electricity and entrusted operation services to the Group's total gross profit remained stable compared to the corresponding period of the last year. On the other hand, contribution of provision of clean heat supply services to the Group's total gross profit was approximately 4% (six months ended 30 June 2022: approximately 2%) during the six months ended 30 June 2023.

The overall gross profit margin increased from 46.6% during the six months ended 30 June 2022 to 53.8% during the six months ended 30 June 2023, and the total gross profit for the six months ended 30 June 2023 increased by approximately 9% compared to the corresponding period of the last year. The increase was mainly due to the continuous optimization of our business structure as well as the cost reduction and efficiency enhancement.

2.2 Other income and gains, net

The Group's other income and gains, net amounted to approximately HK$114.6 million (six months ended 30 June 2022: approximately HK$53.2 million) during the six months ended 30 June 2023, which mainly comprised (i) interest income of approximately HK$20.4 million (six months ended 30 June 2022: approximately HK$6.6 million); (ii) government grants of approximately HK$11.9 million (six months ended 30 June 2022: approximately HK$19.1 million); and (iii) foreign exchange gains, net of approximately HK$8.1 million (six months ended 30 June 2022: approximately HK$4.8 million); and (iv) gains on bargain purchase of subsidiaries of approximately HK$44.6 million (six months ended 30 June 2022: Nil).

2.3 Administrative expenses

The increase in administrative expenses to approximately HK$228.7 million (six months ended 30 June 2022: approximately HK$177.3 million) during the six months ended 30 June 2023 was mainly attributable to the increase in various expenses as a result of the increased business expansion efforts made by the Group and the increase in bank charges as compared to corresponding period of the last year as a result of the expansion of the financing scale.

2.4 Other operating expenses, net

The Group's other operating expenses, net achieved approximately HK$79.4 million (six months ended 30 June 2022: approximately HK$51.2 million) during the six months ended 30 June 2023. The increase was mainly attributable to the fair value loss on financial assets of approximately HK$58.0 million (six months ended 30 June 2022: Nil).

2.5 Finance costs

The decrease in finance costs of the Group by approximately HK$24.3 million to approximately HK$781.2 million (six months ended 30 June 2022: approximately HK$805.5 million) for the six months ended 30 June 2023 was mainly attributable to the combined effect of (i) the replacement of high-cost financing with low-cost financing; and (ii) the fluctuations of exchange rates arising from the depreciation of RMB against HK$ for the six months ended 30 June 2023.

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding periods.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to the net effect of (i) the development of clean energy projects; (ii) depreciation provided for the six months ended 30 June 2023; and (iii) the fluctuation of exchange rate due to RMB depreciation against Hong Kong dollar during the six months ended 30 June 2023.

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office and four parking spaces in Hong Kong and were leased to an independent third party.

2.9 Goodwill

Goodwill was attributable to the acquisition of subsidiaries since 2016.

2.10 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plants and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) Business Combinations. The decrease in operating concessions was mainly attributable to the effects of (i) amortization provided; and (ii) the fluctuation of exchange rate due to RMB depreciation against Hong Kong dollar during the six months ended 30 June 2023. The increase in operating rights was mainly attributable to (i) acquisition of subsidiaries; (ii) amortization provided for the six months ended 30 June 2023; and (iii) the fluctuation of exchange rate due to RMB depreciation against Hong Kong dollar.

2.11 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses. The change in the Group's investment in joint ventures was mainly due to (i) a loss of HK$89.41 million was recognized from Yanfa Beikong Xinneng (Tianjin) Equity Investment Partnership Enterprise (Limited Partnership)*(延發北控信能(天津)股權投資合夥企業(有限合夥))("**Yanfa Xinneng**"). Yanfa Xinneng held the Yingshang Project, which ceased operation before 30 June 2023, as set out in the section headed "1.1.1 Photovoltaic Power Plant Projects" under the "Management Discussion and Analysis"; and (ii) the fluctuation of exchange rate due to RMB depreciation against Hong Kong dollar.

2.12 Investments in associates

It mainly represented (i) the Group's investment in SDHS Renewable, an associate owned as to 22.88% interest by the Group and was principally engaged in the organic waste hazard-free treatment and high-value resource utilisation business, the clean heat supply business and the energy performance contracting business; (ii) the Group's investment in Beijing Enterprises City Investment Holdings Group Co., Ltd*(北控城投控股集團有限公司), an associate owned as to 15% interest by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC; and (iii) the Group's investment in Tianjin Yili New Energy Technology Company Limited*(天津屹立新能源科技有限公司), an associate owned as to 35% interest by the Group and was principally engaged in the sales of solar thermal power generation products, research and development of emerging energy technologies, and engineering management services in the PRC. The decrease was mainly attributable to the net effects of (i) the share of profit of associates; and (ii) the fluctuation of exchange rate due to RMB depreciation against Hong Kong dollar during the six months ended 30 June 2023.

2.13 Other non-current assets

Other non-current assets represent the cost of equipment delivered to third party project companies, respectively, under certain contracts for wind power plant development. As of 30 June 2023, the Group has acquired those third-party project companies.

2.14 Contract assets

Contract assets as at 30 June 2023 of approximately HK$710.8 million (31 December 2022: approximately HK$1,086.7 million) represented (i) gross receivables of approximately HK$69.0 million (31 December 2022: approximately HK$514.9 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects; (ii) gross receivables of approximately HK$657.1 million (31 December 2022: approximately HK$587.8 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the list of national renewable energy power generation subsidies for the renewable energy power generation projects (the "**Project List**"); and (iii) loss allowances of contract assets of approximately HK$15.2 million (31 December 2022: approximately HK$15.9 million). The decrease in contract assets was mainly attributable to the increase in the photovoltaic and wind power plant projects registered into the Project List during the six months ended 30 June 2023.

2.15 Trade and bills receivables

Trade and bills receivables of approximately HK$8,794.7 million (31 December 2022: approximately HK$8,176.9 million) as at 30 June 2023 mainly comprised (i) gross receivables from the sale of electricity of the photovoltaic and wind power plant projects of approximately HK$7,176.9 million (31 December 2022: approximately HK$6,334.3 million); (ii) gross receivables with certain milestones completed, accepted and recognised by customers from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK$989.3 million (31 December 2022: approximately HK$1,248.3 million); and (iii) loss allowances of trade and bills receivables of approximately HK$113.2 million (31 December 2022: approximately HK$118.6 million).

As at 30 June 2023, gross trade receivables for the sale of electricity of the photovoltaic and wind power plant projects mainly comprised (i) receivables of approximately HK$350.8 million (31 December 2022: approximately HK$278.3 million) from the sale of electricity mainly to State Grid Corporation of China, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK$6,764.5 million (31 December 2022: approximately HK$5,943.1 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Project List.

2.16 Prepayments, deposits and other receivables, other tax recoverables and financial assets at fair value through profit or loss

The decrease in prepayments, deposits and other receivables, other tax recoverables and financial assets at fair value through profit or loss by approximately HK$751.8 million in aggregate (non-current portion decreased by approximately HK$908.9 million and current portion increased by approximately HK$157.1 million) to approximately HK$5,505.0 million (31 December 2022: approximately HK$6,256.8 million) in aggregate was mainly attributable to (i) the decreases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects; and (ii) recover of prepayments, deposits and other receivables during the six months ended 30 June 2023.

2.17 Cash and cash equivalents

The decrease in cash and cash equivalents by approximately HK$459.0 million to approximately HK$3,178.3 million (31 December 2022: approximately HK$3,637.3 million) was mainly attributable to net effect of (i) cash outflow on developing and operating clean energy projects; (ii) the net increase of interest-bearing bank borrowings and other loans; and (iii) net cash inflow from daily operating activities during the six months ended 30 June 2023.

2.18 Trade and bills payables

Trade and bills payables of approximately HK$1,697.1 million (31 December 2022: approximately HK$1,941.8 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services for the development of clean energy projects.

2.19 Other payables and accruals

Other payables and accruals of approximately HK$1,646.6 million (31 December 2022: approximately HK$1,888.1 million) decreased by approximately HK$241.5 million, which was mainly due to the net effect of (i) increase in construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) settlement of the construction and equipment payables of projects acquired or under development by the Group during the six months ended 30 June 2023.

2.20 Other non-current liabilities

Other non-current liabilities represented the contracted selling price of equipment sold and delivered to and construction services and other services provided to third party project companies, respectively, under certain contracts for wind power plant development. As of 30 June 2023, the Group has acquired those third-party project companies.

2.21 Interest-bearing bank loans and other borrowings and corporate bonds (excluding operating leases)

Interest-bearing bank loans and other borrowings and corporate bonds of amounted to approximately HK$31,087.1 million (31 December 2022: approximately HK$30,077.8 million) in aggregate, representing an increase by approximately HK$1,009.3 million in aggregate (non-current portion decreased by approximately HK$1,496.6 million in aggregate and current portion increased by approximately HK$2,505.9 million in aggregate), which was mainly attributable to (i) the increase in certain long-term bank loans and other borrowings to meet the demand for business expansion and liquidity flow; and (ii) the repayment of certain matured bank loans and other borrowings during the six months ended 30 June 2023.

2.22 Capital expenditures

During the six months ended 30 June 2023, the Group's total capital expenditures amounted to approximately HK$1,064.6 million (six months ended 30 June 2022: approximately HK$349.5 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK$777.1 million (six months ended 30 June 2022: approximately HK$349.5 million) in aggregate; (ii) acquisition of other intangible assets of approximately HK$6.0 million (six months ended 30 June 2022: Nil); and (iii) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK$281.5 million (six months ended 30 June 2022: Nil).

2.23 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). Surplus cash is generally placed in short-term deposits denominated in HK$ and RMB.

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately HK$3,178.3 million (31 December 2022: approximately HK$3,637.3 million).

Developments of the clean energy businesses require intensive initial capital investments and the Group funds such developments during the six months ended 30 June 2023 mainly by long-term bank loans and other borrowings (excluding operating leases), corporate bonds.

(a) Long-term bank loans and other borrowings, corporate bonds (excluding operating leases)

As at 30 June 2023, the Group's total borrowings of approximately HK$31,087.1 million (31 December 2022: approximately HK$30,077.8 million) comprised (i) bank loans of approximately HK$20,492.7 million (31 December 2022: approximately HK$19,356.2 million); (ii) corporate bonds of approximately HK$428.2 million (31 December 2022: approximately HK$527.4 million); and (iii) lease liabilities under finance lease arrangements and other loans of approximately HK$10,166.2 million (31 December 2022: approximately HK$10,194.2 million). Approximately 72% (31 December 2022: approximately 80%) of the Group's borrowings are long-term borrowings.

As majority of the funding derives from equity fundings from Shareholders in prior years, long-term borrowings and corporate bonds, the Group recorded net current assets position of approximately HK$4,328.5 million (31 December 2022: net current assets position of approximately HK$6,423.0 million) as at 30 June 2023.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 30 June 2023, the Group had unutilised banking facilities of approximately HK$8,822.2 million (31 December 2022: approximately HK$6,254.6 million) in aggregate with terms ranging from repayable on demand to 20 years (31 December 2022: 15 years).

The Group's net debt to liability ratio, calculated as the net debt (defined as the corporate bonds, bank loans and other borrowings, net of cash and cash equivalents and other lease liabilities) divided by the sum of net debt and total equity, was approximately 66% (31 December 2022: approximately 64%) as at 30 June 2023. The increase in net debt to liability ratio was mainly due to the net effects of the increase in bank borrowings for the purpose of funding the development of the clean energy businesses and the fluctuations of exchange rates arising from the depreciation of RMB against HK$ during the six months ended 30 June 2023.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Acquisitions of entire equity interest in Shangqiu Ningdian New Energy Co., Ltd.*(商丘寧電新能源有限公司), Lankao Gold Wind Power New Energy Co., Ltd.*(蘭考金風清電新能源有限公司) and Shenqiu Yingdian New Energy Co., Ltd.*(沈丘潁電新能源有限公司)

On 20 December 2022, (i) China Power Construction Henan Electric Power Co., Ltd.*(中電建河南電力有限公司), Qingdian Green Energy Co., Ltd.*(清電綠色能源有限公司), Tianjin Fuyi Enterprise Management Consulting Co., Ltd.*(天津富驛企業管理諮詢有限公司)(the "**Purchaser**"), an indirect non-wholly owned subsidiary of the Company, entered into the equity transfer agreement (the "**Equity Transfer Agreement-1**") in relation to the sale and purchase of entire equity interest in Shangqiu Ningdian New Energy Co., Ltd.*(商丘寧電新能源有限公司)(the "**Target Company-1**") at the consideration of RMB143,567,600 (the "**Acquisition-1**"); (ii) Henan Qingdian New Energy Co., Ltd.*(河南清電新能源有限公司) and the Purchaser, entered into the equity transfer agreement (the "**Equity Transfer Agreement-2**") in relation to the sale and purchase of entire equity interest in Lankao Gold Wind Power New Energy Co., Ltd.*(蘭考金風清電新能源有限公司)(the "**Target Company-2**") at the consideration of RMB55,928,800 (the "**Acquisition-2**"); (iii) Henan Qingdian New Energy Co., Ltd.*(河南清電新能源有限公司), and the Purchaser, entered into the equity transfer agreement (the "**Equity Transfer Agreement-3**", together with Equity Transfer Agreement-1 and Equity Transfer Agreement-2, the "**Equity Transfer Agreements**") in relation to the sale and purchase of entire equity interest in Shenqiu Yingdian New Energy Co., Ltd.*(沈丘潁電新能源有限公司)(the "**Target Company-3**", together with the Target Company-1 and Target Company-2, the "**Target Companies**") at the consideration of RMB43,226,300 (the "**Acquisition-3**", together with Acquisition-1 and Acquisition-2, the "**Acquisitions**"). Pursuant to the terms and conditions of the Equity Transfer Agreements, completion of the Acquisitions took place on 1 January 2023, the Purchaser holds entire equity interests in each of the Target Companies and they become an indirect wholly-owned subsidiaries of the Company. Further details are set out in the announcement dated 20 December 2022 of the Company.

Discloseable transactions and connected transactions relating to SDHS Thermal

As disclosed in the announcement of the Company dated 25 May 2023 (the "**Announcement**"), SDHS Thermal, being an indirect non-wholly owned subsidiary of the Company, and each of the Vendors, being minority shareholders of SDHS Thermal, entered into the repurchase agreements (the "**Repurchase Agreements**") in March 2022, pursuant to which, SDHS Thermal agreed to repurchase approximately 10.52%, 7.29%, 5.52% 2.92%, 2.71% and 1.04% equity interests in SDHS Thermal from each of the Vendors respectively, in the consideration of RMB45,500,000 plus certain interests amount, RMB45,540,000, RMB34,480,000, RMB18,220,000, RMB16,900,000 and RMB6,510,000 respectively. As mentioned in the Announcement, the Group received the Demand Letter in March 2023 which requested for completion of the Repurchase Agreements. As at the date of this report, completion of each of the Repurchase Agreements has not taken place and additional time is required for the Group to conduct the internal investigation for obtaining the relevant outstanding information (including certain background details and the reasons for the transaction) relating to the Repurchase Agreements, legal advice as well as other professional advice in relation to the validity and enforceability of the Repurchase Agreements. The Company will make further announcement(s) as and when appropriate or required in accordance with the Listing Rules if there are any material development(s) in relation to the Repurchase Agreements. Please refer to the Announcement for further details.

Save as disclosed above, the Group did not have significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

CHARGE ON THE GROUP'S ASSETS

The secured bank loans and other borrowings and bills payables of the Group as at 30 June 2023 are secured by:

(i) pledges over certain of the Group's property, plant and equipment and operating concessions;

(ii) pledges over certain of the Group's trade receivables and contract assets;

(iii) pledges over the Group's equity interests in certain subsidiaries and an associate;

(iv) guarantees given by the Company and/or its subsidiaries; and/or

(v) pledges over certain of the Group's bank balances.

Save as disclosed above, as at 30 June 2023, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2023, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group (including joint ventures) employed 2,059 full-time employees (30 June 2022: 2,076 full-time employees) with total staff cost of approximately HK$242.4 million incurred for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK$194.4 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group had no substantial future plans for material investments and capital assets.

SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

On 12 May 2023, the Board proposed to implement the share consolidation (the "**Share Consolidation**") on the basis that (a) (i) every fifty (50) issued and unissued existing ordinary shares of the Company of HK$0.001 each in the share capital of the Company be consolidated into one (1) consolidated ordinary share of the Company of HK$0.05 each; and (ii) every fifty (50) unissued existing preference shares of the Company of HK$0.001 each in the share capital of the Company be consolidated into one (1) consolidated preference share of the Company of HK$0.05 each; and (b) the change of the board lot size from 20,000 pre-consolidated ordinary shares of the Company to 1,000 consolidated ordinary shares of the Company upon the Share Consolidation becoming effective (the "**Change of Board Lot Size**"). The Share Consolidation was approved by the Shareholders at the extraordinary general meeting of the Company held on 20 June 2023, and became effective on 26 June 2023.

The Company believes that the corresponding upward adjustment in the trading price per consolidated ordinary share of the Company as a result of the Share Consolidation will make investing in the shares of the Company more attractive to a broader range of investors, and thus further broaden the shareholder base of the Company. Details of the Share Consolidation and Change of Board Lot Size are set out in the announcements of the Company dated 12 May 2023, 19 May 2023, 20 June 2023 and 23 June 2023 and the circular of the Company dated 5 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Changes of Addresses, Telephone and Facsimile Numbers of Head Office and Principal Place of Business in Hong Kong

With effect from 20 July 2023, the addresses, telephone and facsimile numbers of head office and principal place of business of the Company in Hong Kong has been changed to:

Address:	38th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong
Telephone:	(852) 3903 0990
Facsimile:	(852) 3749 5107

For details, please refer to the Company's announcement dated 20 July 2023.

Change in Directors

Set out below the following changes in Directors after the end of the Reporting Period and up to the date of this report:

1. Mr. Wang Meng was appointed as an executive Director with effect from 20 July 2023.

2. Professor Qin Si Zhao was appointed as an independent non-executive Director and a member of the nomination committee of the Company (the "**Nomination Committee**"), with effect from 20 July 2023.

FUTURE OUTLOOK

Since the proposal of "dual carbon" (2030 Carbon Dioxide Emissions Peak and 2060 Carbon Neutrality) targets, China has issued a series of policies to support and standardise the development of new energy industry, among which, the Implementation Plan on Promoting the High-Quality Development of New Energy in the New Era*"(《關於促進新時代新 能源高質量發展的實施方案》) has given a comprehensive guide regarding various aspects, including the development and utilisation mode of new energy, the acceleration of new types of power system construction, the improvement of the construction and management of new energy projects, the ensurance of demand for land and sea for new energy development, and the fiscal means to support the development of new energy. In June 2023, the National Energy Administration issued the "Blue Paper for the Development of New Power Systems*"(《新型電力系統發展藍皮書》), which pointed out that by 2030, new energy will be promoted to become the main source of increase of power generation, and by 2045, new energy will become the main power of installed system; In July, the meeting of the Central Comprehensive Deepening Reform Committee of the PRC has reviewed and passed the "Guiding Opinions on Deepening the Reformation of Electric Power System and Accelerating the Construction of New Power Systems*" (《關於深化電力體制改革加快構建 新型電力系統的指導意見》), which focused on the market orientation, improved on-grid and reserve mechanisms of new energy and optimised allocation of power market. It will effectively guarantee the development and utilisation of new energy and increase the proportion of new energy in the power systems.

Since the beginning of the year, the installed capacity of renewable energy in the PRC has steadily expanded. In the first half of the year, the installed capacity of renewable energy in the PRC exceeded 1.3 billion kilowatts and reached 1.322 billion kilowatts, representing a year-on-year increase of 18.2%, which historically exceeded coal power, accounting for approximately 48.8% of China's total installed capacity; the newly added on-grid capacity of China's photovoltaics was 78.42 million kilowatts, representing a year-on-year increase of 154%.

Following the clean and low-carbon development becoming a global consensus, the transformation of energy structure is accelerating. The year-by-year increase in the proportion of the installment, absorption and consumption of clean energy has opened up a broad space for the Group's development and also brought rare industrial investment opportunities. By seizing the historic opportunity of new energy development, we can capture the high ground of future development.

The journey is never ending. By going forward, we shall move from victory to greater victory. Looking into the future, the Group will position itself as the main force of Shandong Hi-Speed Group's emerging industries and the flagship of new energy, and unswervingly take the development, investment and operation of wind power and photovoltaic new energy and urban clean heating services as its core business. The Group will fully utilise the new energy business as a green engine to promote the integration and development of infrastructure and energy network. The Company aims to become a domestic new energy integrated solutions provider which is fully market-oriented with core competitiveness and sustainable and highquality development, and strives to become a leading player in the industry.

* *For identification purposes only*

UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited combined statements of financial position of the Target Company and its subsidiaries after the completion of Restructuring, i.e. the Target Group, as of 31 December 2020, 2021, 2022 and 30 June 2023 and the unaudited combined statements of profit or loss, the unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows for each of the years ended 31 December 2020, 2021, 2022, the six months ended 30 June 2022 and the six months ended 30 June 2023 (the "**Relevant Periods**") and explanatory notes (the "**Financial Information**"). The Financial Information has been prepared by the Directors on the basis set out in note 2 to the Financial Information and in accordance with Rule 14.68(2)(a)(i)(A) of the Listing Rules.

The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Capital Increase. Ernst & Young was engaged to review the Financial Information of the Target Group set out in pages II-2 to II-10 in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditors to obtain assurance that the auditors would become aware of all significant matters that might be identified in an audit. Accordingly, the auditors do not express an audit opinion.

Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of the Target Group for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 below.

THE TARGET GROUP

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS

	Unaudited				
	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	859,511	810,823	1,588,940	1,630,864	1,643,484
Cost of sales	(366,751)	(341,548)	(682,166)	(652,412)	(640,644)
Gross profit	492,760	469,275	906,774	978,452	1,002,840
Other income and gains, net	13,349	7,609	13,858	47,224	27,434
Administrative expenses	(7,744)	(9,030)	(16,354)	(22,035)	(28,051)
Other operating expenses, net	(24,731)	(14,285)	(35,180)	(106,778)	(48,564)
Finance costs	(185,510)	(200,542)	(406,895)	(449,983)	(439,511)
PROFIT BEFORE TAX	288,124	253,027	462,203	446,880	514,148
Income tax expense	(55,320)	(49,798)	(98,212)	(52,326)	(58,768)
PROFIT FOR THE PERIOD/YEAR	232,804	203,229	363,991	394,554	455,380
Attributable to:					
Equity holders of the Target Company	230,840	200,735	360,134	392,676	452,550
Non-controlling interests	1,964	2,494	3,857	1,878	2,830
	232,804	203,229	363,991	394,554	455,380

THE TARGET GROUP

UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited				
	Six months ended 30 June 2023	**Six months ended 30 June 2022**	**Year ended 31 December 2022**	**Year ended 31 December 2021**	**Year ended 31 December 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
PROFIT FOR THE PERIOD/YEAR	232,804	203,229	363,991	394,554	455,380
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR	232,804	203,229	363,991	394,554	455,380
Attributable to:					
Equity holders of the Target Company	230,840	200,735	360,134	392,676	452,550
Non-controlling interests	1,964	2,494	3,857	1,878	2,830
	232,804	203,229	363,991	394,554	455,380

THE TARGET GROUP

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION

	Unaudited			
	As at 30 June 2023 *RMB'000*	**As at 31 December 2022** *RMB'000*	**As at 31 December 2021** *RMB'000*	**As at 31 December 2020** *RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	9,777,009	9,762,369	9,561,994	9,351,445
Goodwill	264,158	264,158	264,158	240,180
Operating rights	464,734	480,682	512,576	517,678
Other intangible assets	54	60	71	81
Prepayments, deposits and other receivables	219,377	263,007	142,742	223,074
Other tax recoverables	99,904	86,199	126,102	151,513
Deferred tax assets	21,942	21,488	22,084	20,068
Total non-current assets	10,847,178	10,877,963	10,629,727	10,504,039
CURRENT ASSETS				
Inventories	1,731	1,731	–	–
Contract assets	400,335	451,754	362,927	277,913
Trade and bills receivables	3,623,312	3,085,946	4,161,200	3,608,098
Financial assets at fair value through profit or loss	–	–	65,543	66,384
Prepayments, deposits and other receivables	1,537,077	1,494,351	142,933	384,894
Other tax recoverables	32,909	25,895	92,279	162,498
Restricted cash and pledged deposits	8,253	8,233	6,672	30,748
Cash and cash equivalents	163,226	380,766	136,326	176,775
Total current assets	5,766,843	5,448,676	4,967,880	4,707,310
CURRENT LIABILITIES				
Trade and bills payables	212,800	183,341	241,190	203,916
Amount due to contract customers	9,999	2,363	–	–
Other payables and accruals	2,273,376	905,642	1,945,739	1,635,881
Interest-bearing bank and other borrowings	862,505	844,082	735,721	693,833
Lease liabilities – finance lease payables	111,736	116,149	124,092	312,187
Income tax payables	39,963	18,433	15,294	17,564
Total current liabilities	3,510,379	2,070,010	3,062,036	2,863,381

	Unaudited			
	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS	2,256,464	3,378,666	1,905,844	1,843,929
TOTAL ASSETS LESS CURRENT LIABILITIES	13,103,642	14,256,629	12,535,571	12,347,968
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	6,375,452	6,498,394	4,800,006	4,159,895
Lease liabilities	585,803	451,228	784,051	1,629,627
Deferred tax liabilities	116,184	120,170	129,702	131,188
Total non-current liabilities	7,077,439	7,069,792	5,713,759	5,920,710
Net assets	6,026,203	7,186,837	6,821,812	6,427,258
EQUITY				
Equity attributable to equity holders of the Target Company				
Share capital	3,785,133	3,785,133	3,785,133	3,785,133
Reserves	2,217,740	3,380,338	3,016,782	2,624,106
	6,002,873	7,165,471	6,801,915	6,409,239
Non-controlling interests	23,330	21,366	19,897	18,019
Total equity	6,026,203	7,186,837	6,821,812	6,427,258

THE TARGET GROUP

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Target Company							
	Share capital	Capital reserves	Statutory surplus reserve	Special reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2023	3,785,133	2,388	73,619	1,034	3,303,297	7,165,471	21,366	7,186,837
Profit for the period	–	–	–	–	230,840	230,840	1,964	232,804
Total comprehensive income for the period	–	–	–	–	230,840	230,840	1,964	232,804
Transfer from retained earnings	–	–	107,382	–	(107,382)	–	–	–
Provision of special reserves	–	–	–	6,562	–	6,562	–	6,562
Dividend	–	–	–	–	(1,400,000)	(1,400,000)	–	(1,400,000)
At 30 June 2023	3,785,133	2,388	181,001	7,596	2,026,755	6,002,873	23,330	6,026,203

	Attributable to equity holders of the Target Company							
	Share capital	Capital reserves	Statutory surplus reserve	Special reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2022	3,785,133	–	73,619	–	2,943,163	6,801,915	19,897	6,821,812
Profit for the year	–	–	–	–	360,134	360,134	3,857	363,991
Total comprehensive income for the year	–	–	–	–	360,134	360,134	3,857	363,991
Provision of special reserves	–	–	–	1,034	–	1,034	–	1,034
Further acquisition of subsidiaries	–	2,388	–	–	–	2,388	(2,388)	–
At 31 December 2022	3,785,133	2,388	73,619	1,034	3,303,297	7,165,471	21,366	7,186,837

	Attributable to equity holders of the Target Company							
	Share capital	Capital reserves	Statutory surplus reserve	Special reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2022	3,785,133	–	73,619	–	2,943,163	6,801,915	19,897	6,821,812
Profit for the period	–	–	–	–	200,735	200,735	2,494	203,229
Total comprehensive income for the period	–	–	–	–	200,735	200,735	2,494	203,229
At 30 June 2022	3,785,133	–	73,619	–	3,143,898	7,002,650	22,391	7,025,041

	Attributable to equity holders of the Target Company							
	Share capital	Capital reserves	Statutory surplus reserve	Special reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2021	3,785,133	–	73,619	–	2,550,487	6,409,239	18,019	6,427,258
Profit for the year	–	–	–	–	392,676	392,676	1,878	394,554
Total comprehensive income for the year	–	–	–	–	392,676	392,676	1,878	394,554
At 31 December 2021	3,785,133	–	73,619	–	2,943,163	6,801,915	19,897	6,821,812

	Attributable to equity holders of the Target Company							
	Share capital	Capital reserves	Statutory surplus reserve	Special reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2020	3,785,133	10,663	66,224	–	2,122,708	5,984,728	145,181	6,129,909
Profit for the year	–	–	–	–	452,550	452,550	2,830	455,380
Total comprehensive income for the year	–	–	–	–	452,550	452,550	2,830	455,380
Transfer from retained earnings	–	–	7,395	–	(7,395)	–	–	–
Further acquisition of subsidiaries	–	(10,663)	–	–	(17,376)	(28,039)	(115,052)	(143,091)
Disposal of subsidiaries	–	–	–	–	–	–	(14,940)	(14,940)
At 31 December 2020	3,785,133	–	73,619	–	2,550,487	6,409,239	18,019	6,427,258

THE TARGET GROUP

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

	Unaudited				
	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash from/(used in)operating activities	309,311	(668,254)	28,875	1,485,927	1,283,320
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	–	5,919	–	–
Purchases of items of property, plant and equipment	(370,281)	(183,458)	(838,302)	(605,307)	(1,441,120)
Proceeds from disposal of items of property, plant and equipment	–	–	189	120	2,170
Addition of other intangible assets	(6,813)	–	(6)	(6,314)	(620)
Proceeds from disposal of financial assets at fair value through profit or loss	–	7,043	53,000	79,992	–
Acquisition of subsidiaries	–	–	(18,585)	(23,105)	(4,642)
Disposal of subsidiaries	–	–	–	54,800	502,243
Purchases of items of financial assets at fair value through profit or loss	–	–	–	–	(9,300)
Net cash used in investing activities	(377,094)	(176,415)	(797,785)	(499,814)	(951,269)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank and other borrowings	231,218	1,236,044	2,998,766	80,000	196,000
Repayment of bank loans and other borrowings	(177,670)	(171,478)	(320,500)	(177,000)	(150,000)
Proceeds received under lease	408,783	143,654	257,145	1,329,015	2,329,169
Principal portion of lease payments	(422,792)	(179,642)	(1,492,523)	(1,782,648)	(2,249,930)
Interest paid	(189,296)	(212,146)	(429,538)	(475,929)	(440,539)
Net cash (used in)/from financing activities	(149,757)	816,432	1,013,350	(1,026,562)	(315,300)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(217,540)	(28,237)	244,440	(40,449)	16,751
Cash and cash equivalents at beginning of the period/year	380,766	136,326	136,326	176,775	160,024
Cash and cash equivalents at end of the period/year	163,226	108,089	380,766	136,326	176,775
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statement of financial position	163,226	108,089	380,766	136,326	176,775
Cash and cash equivalents as stated in the statement of cash flows	163,226	108,089	380,766	136,326	176,775

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shandong Hi-Speed New Energy Group Limited ("**SHNE**", the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The ultimate holding company of the Company is Shandong Hi-Speed Group Co., Ltd. ("**SDHS Group**").

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "**Photovoltaic Power Business**"), wind power businesses (the "**Wind Power Business**") and clean heat supply businesses (the "**Clean Heat Supply Business**") in the People's Republic of China (the "**PRC**").

The Target Company is a limited liability company incorporated in Tianjin, the PRC. The Target Company is an indirect wholly-owned subsidiary of the Company. The parent company of the Target Company is Tianjin Beiqing Smart Energy Company Limited ("**Beiqing Smart**"), a company established in the PRC with limited liability. The principal activities of the Target Company and its subsidiaries are engaged in the Photovoltaic Power Business and the Wind Power Business.

On 24 October 2023, Beiqing Smart, SDHS Group, the Company, Ningbo Meishan Bonded Port Zone Chuangze Equity Investment Partnership (Limited Partnership) (the "**Investor**") and the Target Company, entered into the capital increase agreement (the "**Capital Increase Agreement**"). Pursuant to the Capital Increase Agreement, the Investor has conditionally agreed to make cash contribution of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) to the Target Company (the "**Capital Increase**"), upon the completion of an internal restructuring (the "**Restructuring**").

Under the Restructuring, with the requirements of the Investor, the Target Company will only retain 61 subsidiaries (the "**Trading Target Subsidiaries**") specified in the Capital Increase Agreement by transferring the other subsidiaries (the "**Non Trading Target Subsidiaries**") to an entity ultimately held by the Company. This unaudited financial information only includes the financial information of the Target Company and the Trading Target Subsidiaries (the "**Target Group**") for each of the years ended 31 December 2020, 2021, 2022, the six months ended 30 June 2022 and the six months ended 30 June 2023 (the "**Relevant Periods**"). The financial information of the Non Trading Target Subsidiaries have not been consolidated for the Relevant Periods.

2. BASIS OF PREPARATION

The unaudited financial information of the Target Group has been prepared in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular of the Company in connection with the Capital Increase.

The unaudited financial information of the Target Group has been prepared on the historical cost basis, except for investment properties which are measured at fair value. The unaudited financial information of the Target Group for the Relevant Periods has been prepared using the same accounting policies as those adopted by the Company in the preparation of the consolidated financial statements of the Group during the Relevant Periods, except as described below in relation to a proposed dividend of RMB1.4 billion to be made by the Target Company to Beiqing Smart.

Pursuant to the Capital Increase Agreement, before the completion of the Capital Increase, the Target Company will pay a dividend of RMB1.4 billion to Beiqing Smart. For the purpose to reflect the aforesaid dividend payment in the unaudited financial information of the Target Group in the Relevant Periods, the payment of dividend of RMB1.4 billion to Beiqing Smart is accounted for in the unaudited financial information during the six months ended 30 June 2023.

This unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or a complete condensed interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. It should be read in conjunction with the respective annual/interim reports of the Company for the Relevant Periods.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position as at 30 June 2023, unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income, and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022 and related notes of the Group after the Capital Increase by an investor to the Target Company (further details are given below) (the "**Unaudited Pro Forma Financial Information**") which has been prepared for the purpose of illustrating the effect of the Capital Increase (i) as if the Capital Increase had been completed on 30 June 2023 for the unaudited pro forma consolidated statement of financial position; and (ii) as if the Capital Increase had been completed on 1 January 2022 for the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022.

The unaudited pro forma consolidated statement of financial position of the Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2023 as extracted from the published Interim Report 2023 after making pro forma adjustments relating to the Capital Increase that are factually supportable and directly attributable to the Capital Increase.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as extracted from the published Annual Report 2022 after making pro forma adjustments relating to the Capital Increase that are factually supportable and directly attributable to the Capital Increase.

The unaudited Pro Forma Financial Information is prepared in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has been prepared by the Directors of the Company for illustrative purposes only.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the Directors of the Company based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position, the financial performance and cash flows of the Group had the Capital Increase been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published Interim Report 2023, Annual Report 2022 and other financial information included elsewhere in this Circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Group as at 30 June 2023

	The Group *HK$'000* *(Note 1)*	Pro Forma adjustments *HK$'000* *(Note 2)*	Pro Forma adjustments *HK$'000* *(Note 3)*	Unaudited Pro Forma of the Group *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	25,483,282	–	–	25,483,282
Investment properties	162,000	–	–	162,000
Goodwill	482,222	–	–	482,222
Operating concessions	1,506,831	–	–	1,506,831
Operating rights	1,348,126	–	–	1,348,126
Other intangible assets	19,846	–	–	19,846
Investments in joint ventures	353,239	–	–	353,239
Investments in associates	1,299,797	–	–	1,299,797
Prepayments, deposits and other receivables	2,444,596	–	–	2,444,596
Other tax recoverables	335,837	–	–	335,837
Deferred tax assets	406,356	–	–	406,356
Total non-current assets	33,842,132	–	–	33,842,132
CURRENT ASSETS				
Inventories	74,525	–	–	74,525
Contract assets	710,841	–	–	710,841
Trade and bills receivables	8,794,657	–	–	8,794,657
Financial assets at fair value through profit or loss	570,438	–	–	570,438
Prepayments, deposits and other receivables	2,007,893	–	–	2,007,893
Other tax recoverables	146,258	–	–	146,258
Restricted cash and pledged deposits	270,074	–	–	270,074
Cash and cash equivalents	3,178,265	5,450,000	(5,450,000)	3,178,265
	15,752,951	5,450,000	(5,450,000)	15,752,951
Assets classified as held for sale	739,302	–	–	739,302
Total current assets	16,492,253	5,450,000	(5,450,000)	16,492,253

	The Group *HK$'000* *(Note 1)*	Pro Forma adjustments *HK$'000* *(Note 2)*	Pro Forma adjustments *HK$'000* *(Note 3)*	Unaudited Pro Forma of the Group *HK$'000*
CURRENT LIABILITIES				
Trade and bills payables	1,697,088	–	–	1,697,088
Other payables and accruals	1,646,593	–	–	1,646,593
Interest-bearing bank and other borrowings	8,607,320	–	(2,387,181)	6,220,139
Income tax payables	212,771	–	–	212,771
Total current liabilities	12,163,772	–	(2,387,181)	9,776,591
NET CURRENT ASSETS	4,328,481	5,450,000	(3,062,819)	6,715,662
TOTAL ASSETS LESS CURRENT LIABILITIES	38,170,613	5,450,000	(3,062,819)	40,557,794
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	22,996,639	–	(3,062,819)	19,933,820
Corporate bonds	428,245	–	–	428,245
Other non-current liabilities	12,466	–	–	12,466
Deferred tax liabilities	304,604	–	–	304,604
Total non-current liabilities	23,741,954	–	(3,062,819)	20,679,135
Net assets	14,428,659	5,450,000	–	19,878,659
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	112,329	–	–	112,329
Reserves	13,822,630	117,854	–	13,940,484
	13,934,959	117,854	–	14,052,813
Non-controlling interests	493,700	5,332,146	–	5,825,846
Total equity	14,428,659	5,450,000	–	19,878,659

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Group for the year ended 31 December 2022

	The Group	Pro Forma adjustments	Pro Forma adjustments	Unaudited Pro Forma of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	
REVENUE	5,296,197	–	–	5,296,197
Cost of sales	(2,735,702)	–	–	(2,735,702)
Gross profit	2,560,495	–	–	2,560,495
Other income and gains, net	218,946	–	–	218,946
Selling and distribution expenses	(2,505)	–	–	(2,505)
Administrative expenses	(512,818)	–	–	(512,818)
Other operating expenses, net	(207,631)	–	–	(207,631)
Finance costs	(1,803,324)	–	204,339	(1,598,985)
Share of profits and losses of:		–	–	
Joint ventures	4,544	–	–	4,544
Associates	25,759	–	–	25,759
PROFIT BEFORE TAX	283,466	–	204,339	487,805
Income tax expense	(57,655)	–	–	(57,655)
PROFIT FOR THE YEAR	225,811	–	204,339	430,150
Attributable to:				
Equity holders of the Company	258,236	(174,532)	185,366	269,070
Non-controlling interests	(32,425)	174,532	18,973	161,080
	225,811	–	204,339	430,150

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Group for the year ended 31 December 2022

	The Group	Pro Forma adjustments	Pro Forma adjustments	Unaudited Pro Forma of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	
PROFIT FOR THE YEAR	225,811	–	204,339	430,150
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange fluctuation reserve:				
Translation of foreign operations	(1,779,414)	–	–	(1,779,414)
Share of other comprehensive loss of joint ventures	(38,186)	–	–	(38,186)
Share of other comprehensive loss of associates	(87,819)	–	–	(87,819)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(1,905,419)	–	–	(1,905,419)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,679,608)	–	204,339	(1,475,269)
Attributable to:				
Equity holders of the Company	(1,498,588)	(174,532)	185,366	(1,487,754)
Non-controlling interests	(181,020)	174,532	18,973	12,485
	(1,679,608)	–	204,339	(1,475,269)

Unaudited Pro Forma Consolidated Cash Flow Statement of the Group for the year ended 31 December 2022

	The Group	Pro Forma adjustments	Pro Forma adjustments	Unaudited Pro Forma of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 4)	*(Note 5)*	*(Note 6)*	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	283,466	–	–	283,466
Adjustments for:				
Interest income	(38,530)	–	–	(38,530)
Gains on bargain purchase of subsidiaries	(2,243)	–	–	(2,243)
Gains on disposal of subsidiaries	(682)	–	–	(682)
Fair value gain on financial assets at fair value through profit or loss	(10,650)	–	–	(10,650)
Contingent consideration adjustment arising from acquisition in prior years	(38,711)	–	–	(38,711)
Gains on debt restructuring	(37,878)	–	–	(37,878)
Losses on disposal of property, plant and equipment	13,336	–	–	13,336
Depreciation of property, plant and equipment	1,450,442	–	–	1,450,442
Amortisation of operating concessions	91,274	–	–	91,274
Amortisation of operating rights	34,494	–	–	34,494
Amortisation of other intangible assets	3,137	–	–	3,137
Equity-settled share option expenses	2,031	–	–	2,031
Impairment of financial assets	24,480	–	–	24,480
Impairment of property, plant and equipment	92,210	–	–	92,210
Reversal of impairment of operating concessions	(59,884)	–	–	(59,884)
Impairment of operating rights	19,881	–	–	19,881
Impairment of goodwill	42,093	–	–	42,093
Finance costs	1,803,324	–	–	1,803,324
Fair value loss on financial guarantees	3,328	–	–	3,328
Share of profits of joint ventures	(4,544)	–	–	(4,544)
Share of profits of associates	(25,759)	–	–	(25,759)
	3,644,615	–	–	3,644,615

	The Group HK$'000 (Note 4)	Pro Forma adjustments HK$'000 (Note 5)	Pro Forma adjustments HK$'000 (Note 6)	Unaudited Pro Forma of the Group HK$'000
Increase in inventories	(10,037)	–	–	(10,037)
Decrease in contract assets	206,690	–	–	206,690
Decrease in trade and bills receivables	939,527	–	–	939,527
Increase in prepayments, deposits and other receivables	(342,203)	–	–	(342,203)
Decrease in other tax recoverables	397,433	–	–	397,433
Decrease in trade and bills payables	(1,045,901)	–	–	(1,045,901)
Increase in other payables and accruals	122,754	–	–	122,754
Cash generated from operations	3,912,878	–	–	3,912,878
The People's Republic of China tax paid	(248,292)	–	–	(248,292)
Net cash from operating activities	3,664,586	–	–	3,664,586

	The Group *HK$'000* *(Note 4)*	Pro Forma adjustments *HK$'000* *(Note 5)*	Pro Forma adjustments *HK$'000* *(Note 6)*	Unaudited Pro Forma of the Group *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	38,530	–	–	38,530
Purchases of items of property, plant and equipment	(966,375)	–	–	(966,375)
Proceeds from disposal of items of property, plant and equipment	9,461	–	–	9,461
Consideration adjustments of operating concessions	50,663	–	–	50,663
Addition of other intangible assets	(2,947)	–	–	(2,947)
Addition of financial assets at fair value through profit or loss	(320,280)	–	–	(320,280)
Proceeds from disposal of financial assets at fair value through profit or loss	462,306	–	–	462,306
Investments in joint ventures	(1,252)	–	–	(1,252)
Investments in associates	(17,440)	–	–	(17,440)
Acquisition of subsidiaries	(251,611)	–	–	(251,611)
Disposal of subsidiaries	(6,414)	–	–	(6,414)
Increase in deposits for potential business acquisitions	(156,690)	–	–	(156,690)
Decrease in payables in relation to the development of clean energy projects	(297,972)	–	–	(297,972)
Increase in restricted cash and pledged deposits	(40,562)	–	–	(40,562)
Decrease in loan and advances to suppliers, customers and former shareholders in relation to acquisitions	157,683	–	–	157,683
Change in other non-current assets/ liabilities, other current liabilities and receivables from potential acquisition companies, net	(39,764)	–	–	(39,764)
Net cash used in investing activities	(1,382,664)	–	–	(1,382,664)

	The Group HK$'000 (Note 4)	Pro Forma adjustments HK$'000 (Note 5)	Pro Forma adjustments HK$'000 (Note 6)	Unaudited Pro Forma of the Group HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	4,685,188	–	–	4,685,188
Capital contributions by non-controlling equity holder	–	5,450,000	–	5,450,000
Decrease increase in financial liabilities from potential non-controlling interests	(2,887,077)	–	–	(2,887,077)
Acquisition of non-controlling interests	(20,048)	–	–	(20,048)
Net proceeds from issuance of a corporate bond	(586,896)	–	–	(586,896)
New bank loans and other borrowings	13,723,272	–	–	13,723,272
Repayment of bank loans and other borrowings	(13,081,197)	–	(5,450,000)	(18,531,197)
Changes of deposits under leases	110,846	–	–	110,846
Interest on bank loans and other borrowings and corporate bonds paid	(1,594,530)	–	204,339	(1,390,191)
Net cash from financing activities	349,558	5,450,000	(5,245,661)	553,897
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,631,480	5,450,000	(5,245,661)	2,835,819
Cash and cash equivalents at beginning of year	1,140,832	–	–	1,140,832
Effect of foreign exchange rate changes, net	(135,048)	–	–	(135,048)
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,637,264	5,450,000	(5,245,661)	3,841,603
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position	3,637,264	5,450,000	(5,245,661)	3,841,603
Cash and cash equivalents as stated in the statement of cash flows	3,637,264	5,450,000	(5,245,661)	3,841,603

Notes to the Unaudited Pro Forma Financial Information of the Group

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group for the six months ended 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.

2. Subsequent to the Capital Increase, the Group's aggregate equity interest in the Target Company will be diluted from 100.00% to approximately 55.54%.

   The impact of the Capital Increase on the Company's attributable interest in the Target Group assuming that the Capital Increase had been completed on 30 June 2023 is analyses as follows:

	RMB'000	*HKD'000*	
The equity of the Target Group attributable to its equity holders as at 30 June 2023 before the Capital Increase *(note (i) below)*	6,002,873	6,543,131	
The Group's shareholding in the Target Group as at 30 June 2023 before the Capital Increase	100.00%	100.00%	
The equity of the Target Group attributable to the Group as at 30 June 2023 before the Capital Increase	6,002,873	6,543,131	A
Capital Increase made by the investor *(note (ii))*	5,000,000	5,450,000	B
The equity of the Target Group attributable to its equity holders as at 30 June 2023 subsequent to the completion of the Capital Increase	11,002,873	11,993,131	C=A+B
The Group's shareholding in the Target Group as at 30 June 2023 subsequent to the completion of the Capital Increase	55.54%	55.54%	D
The equity of the Target Group attributable to the Group as at 30 June 2023 subsequent to the completion of the Capital Increase	6,110,996	6,660,985	E=C*D
The equity of the Target Group attributable to the minority interests as at 30 June 2023 subsequent to the completion of the Capital Increase	4,891,877	5,332,146	F=C-E
Deemed disposal gain upon the completion of the Capital Increase as at 30 June 2023 *(note (iii))*	108,123	117,854	G=E-A =B-F

Notes:

(i) For the purpose of preparing the Unaudited Pro Forma Financial Information, the equity of the Target Group attributable to its equity holders of RMB6,002,873,000 as at 30 June 2023 is extracted from the unaudited combined balance sheet of the Target Group as at 30 June 2023 as set out in Appendix II to the Circular, on which no audit or review report has been published.

(ii) On 24 October 2023, Tianjin Beiqing Smart Energy Company Limited, Shandong Hi-Speed Group Co., Ltd., the Company, the Investor and the Target Company, entered into the capital increase agreement (the "**Capital Increase Agreement**"). Pursuant to the Capital Increase Agreement, the investor has conditionally agreed to make cash contribution of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) to the Target Company (the "**Capital Increase**"). Upon completion of the Capital Increase, the investor will own approximately 44.46% equity interest in the Target Group and the Group's equity interest in the Target Group will be diluted from 100.00% to approximately 55.54%.

(iii) In the opinion of the Directors, although the Group's interest in the Target Group will be reduced to approximately 55.54% subsequent to the completion of the Capital Increase as at 30 June 2023, the Target Group will continue to remain as a subsidiary of the Company. The partial disposal of the Target Group is considered as a deemed disposal of the 44.46% equity interest in the Target Group to non-controlling interests which should be accounted for as an equity transaction with non-controlling interests. Accordingly, this pro forma adjustment reflects the effect of the deemed disposal gain to the of 44.46% equity interest in the Target Group. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Group.

3. The pro forma adjustment represents, the use of the cash received from the Capital Increase to repay banks and other borrowings of the Group of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000) as at 30 June 2023.

4. The amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022, as set out in the published annual report of the Company for the year ended 31 December 2022.

5. The pro forma adjustment represents, for the purpose of the unaudited pro forma financial information, the increase in share of profit of the Target Company by the non-controlling interests for the year ended 31 December 2022 as if the Capital Increase had been completed on 1 January 2022.

The impact relating to the Capital Increase on the Group's financial performance attributable to the Target Group assuming that the Capital Increase had been completed on 1 January 2022 is analysed as follows:

	RMB'000	*HKD'000*	
The net profit attributable to its equity holders of the Target Group for the year ended 31 December 2022 before the Capital Increase *(note (iv))*	360,134	392,559	A
Percentage of the Group's equity interests in the Target Group being diluted by the Capital Increase	44.46%	44.46%	B
Decrease in the net profit of the Target Group attributable to the Group for the year ended 31 December 2022 due to dilution of the Group's equity interests in the Target Group *(note (v))*	160,116	174,532	C=A*B

(iv) For the purpose of preparing the Unaudited Pro Forma Financial Information, the net profit attributable to its equity holders of the Target Group for the year ended 31 December 2022 is extracted from the unaudited combined income statement of the Target Group for the year ended 31 December 2022 as set out in Appendix II to the Circular, on which no audit or review report has been published.

(v) The pro forma adjustment in respect of the decrease in the net profit of the Target Group attributable to the Group for the year ended 31 December 2022 due to dilution of the Group's interests in the Target Group is calculated as the difference between the net profit of the Target Group attributable to the Group for the year ended 31 December 2022 as at 1 January 2022 before and subsequent to the completion of the Capital Increase on the basis that the Capital Increase had been completed on 1 January 2022. This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Group.

The Capital Increase will leading to a increase in capital contributions by non-controlling equity holder of HK$5,450,000,000 in the unaudited pro forma consolidated cash flow statement of the Group for the year ended 31 December 2022.

6. The pro forma adjustment represents the reduced financial expenses as a result used to repay bank and other borrowings. Repayment of the Group's bank and other borrowings of RMB5,000,000,000 (equivalent to approximately HK$5,450,000,000), leading to a decrease in financial expenses of HK$204,339,000 and a increase in the net profit of the Target Group attributable to minority interests of HK$18,973,000 for the year ended 31 December 2022.

7. Except for the Capital Increase, no adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2023.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Shandong Hi-Speed New Energy Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shandong Hi-Speed New Energy Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2023, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, and related notes as set out on Appendix III of the circular dated 15 November 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the deemed disposal of approximately 44.46% equity interest of Tianjin Clean Energy Investment Company Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") after the Restructuring (as further defined in the Circular) as a result the capital increase by an investor of RMB5,000,000,000 to the Target Company (hereinafter referred to as the "**Capital Increase**"), on the Group's financial position as at 30 June 2023 and the Group's financial performance and cash flows for the year ended 31 December 2022 as if the Capital Increase had taken place at 30 June 2023 and 1 January 2022, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated financial information for the period ended 30 June 2023, on which no audit/review report has been published, while information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2022, on which an audit report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Capital Increase on unadjusted financial information of the Group as if the Capital Increase had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Capital Increase would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Capital Increase, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Capital Increase in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

15 November 2023

The following is the content summary of the Valuation Report.

The Valuation Report and the summary below are prepared in Chinese, and the English summary is translated from the Chinese version. In the event of any inconsistency, the Chinese version shall prevail.

Summary of Valuation Report

The value of all the shareholders' interests
in the Target Company
after the Restructuring in relation to the Capital Increase

China Faith Appraisers Co., Ltd., i.e. the Valuer, accepted the appointment by the Target Company to perform an appraisal in accordance with the laws, administrative regulations, and asset appraisal standards, adhered to the principles of independence, objectivity, and fairness, adopted, among others (please refer to the section headed "V. Valuation method" below in this appendix), the asset-based approach and market approach and followed the necessary evaluation procedures to assess the value of all the shareholders' interests in the Target Company after the Restructuring as at 30 June 2023, related to the proposed Capital Increase. A summary of the Valuation Report is hereby reported as follows:

I. **VALUATION PURPOSE:** To perform an appraisal of the value of all the shareholders' interests in the Target Company after the Restructuring and provide its market value as at the Valuation Benchmark Date (as defined below), as a value reference for the proposed capital increase of the Target Company.

II. **VALUATION SUBJECT AND SCOPE OF THE VALUATION:** The value of all the shareholders' interests in the Target Company after the Restructuring, and the scope of the Valuation covers the entire assets and liabilities of the Target Company after the Restructuring.

III. **TYPE OF VALUE:** Market value.

IV. **VALUATION BENCHMARK DATE:** 30 June 2023.

V. **VALUATION METHOD:** The Valuer has adopted the asset-based approach and market approach on the Target Company after the Restructuring, and finally elected the valuation results using the asset-based approach for the Valuation. Among which, the asset-based approach has applied income approach to the grid-connected project companies within the subsidiaries of the Target Company after the Restructuring, and applied asset-based approach to the platform companies within the subsidiaries of the Target Company after the Restructuring, which have been finally summarized as the long-term equity investment value of the Target Company.

VI. VALUATION APPROACH(ES) AND METHOD(S) USED BY THE VALUER AND THE REASONS FOR ADOPTION

Based on the applicability analysis of the valuation method, both asset-based approach and market approach are adopted in the Valuation, and after a comprehensive analysis and comparison, the valuation results using the asset-based approach is adopted as the valuation conclusion.

The asset-based approach refers to a valuation approach based on the balance sheet of the evaluated entity as at the valuation benchmark date, i.e. 30 June 2023 (the "**Valuation Benchmark Date**"), to reasonably assess the value of various on-sheet and identifiable off-sheet assets and liabilities and determine the value of the valuation target.

Basic formula for the asset-based approach:

Value of total equity interests of shareholders = Sum of the assessed value of various assets of an enterprise – Sum of the assessed value of various liabilities

The evaluated entity in this report is based on the premise of going concern. The various on-balance-sheet and off-balance-sheet assets and liabilities as at the Valuation Benchmark Date can be identified, and the various identifiable assets and liabilities can be assessed separately by a proper and specific valuation approach, depending on the specific circumstances. The evaluated entity has no assets or liabilities that have a significant impact on the valuation target and are difficult to identify and assess. Therefore, the asset-based approach can be adopted in the Valuation.

The income approach refers to a valuation approach that capitalises or discounts expected income to determine the value of the valuation target.

The specific methods commonly used in the income approach include the dividend discount method and the cash flow discount method.

The dividend discount method refers to a specific method of discounting expected dividends to determine the value of the valuation target, and is usually applied to the value evaluation of partial interests of shareholders who lack control.

The cash flow discount method usually includes the corporate free cash flow discount model and the equity free cash flow discount model.

The evaluated entity is a platform company with only occasional management fees during historical years, and its entity operations are all undertaken by subsidiaries. As the income approach has been adopted for each subordinate project company in the Valuation, the income approach will not be adopted for the evaluated entity.

The market approach refers to a valuation approach that determines the value of the valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases.

Two specific methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to the specific method that calculates value ratios by obtaining and analysing operating and financial data of comparable listed companies, and determines the value of the valuation target based on comparative analysis with the evaluated entity.

The transaction case comparison method refers to the specific method that calculates value ratios by obtaining and analysing information on purchase and sale, acquisition and merger cases of comparable enterprises, and determines the value of the valuation target based on comparative analysis with the evaluated entity.

The evaluated entity belongs to the new energy power generation industry according to the national economic classification standards, and there are a large number of listed companies in the same industry. There are also listed companies with operating and financial data that is comparable with the evaluated entity. The value ratio can be calculated by obtaining and analysing the operating and financial data of comparable listed companies, and the value of the valuation target can be determined based on comparative analysis with the evaluated entity. Therefore, the listed company comparison method can be used for valuation.

(I) Valuation results using the asset-based approach

The carrying value, the appraised value and valuation incremental value of total assets of the Target Company were RMB5,923,625,400, RMB8,077,493,500 and RMB2,153,868,100, respectively, representing an increase ratio of 36.36%. The carrying value and the appraised value of liabilities were RMB1,830,363,400 and RMB1,830,363,400, respectively; the carrying value, the appraised value and valuation incremental value of owner's equity (net assets) were RMB4,093,262,000, RMB6,247,130,100 and RMB2,153,868,100, respectively, representing an increase ratio of 52.62%.

Summary of results of asset valuation

Unit: RMB'0,000

	Items	Carrying Value	Appraised Value	Increase or Decrease in Value	Increase Ratio %
		A	B	C=B-A	D=C/A×100%
1	Current assets	308,239.23	308,239.23	–	–
2	Non-current assets	284,123.31	499,510.12	215,386.81	75.81
3	Long-term equity investments	284,089.44	499,476.25	215,386.81	75.82
4	Other non-current assets	33.87	33.87	–	–
5	**Total assets**	**592,362.54**	**807,749.35**	**215,386.81**	**36.36**
6	Current liabilities	172,800.34	172,800.34	–	–
7	Non-current liabilities	10,236.00	10,236.00	–	–
8	**Total liabilities**	**183,036.34**	**183,036.34**	**–**	**–**
9	**Net assets (ownership interests)**	**409,326.20**	**624,713.01**	**215,386.81**	**52.62**

Note: Please refer to pages IV-8 to IV-23 of this appendix for the details of the key inputs and how to determine and convert them into the above appraised values using the asset-based approach.

(II) Valuation results using the market approach

The carrying value, the appraised value and valuation incremental value of the value of the entire shareholders' equity of the Target Company after the Restructuring by using the market approach valuation were RMB4,093,262,000, RMB6,191,255,100 and RMB2,097,993,100 respectively, representing an increase ratio of 51.25% as at the Valuation Benchmark Date.

First of all, the 48 subsidiaries of the Target Company, all of which are wholly-owned and controlling subsidiaries, were included in the scope of this valuation and all adopted the cost approach in accordance with the accounting policies. In other words, the carrying values of the 48 subsidiaries presented under the item of "Long-term equity investments" in the Target Company's statements were all investment costs. Most of the investments from the 48 subsidiaries were made between 2016-2018, and after years of production and operation, the initial investment costs of the 48 subsidiaries could no longer reflect their true market value; secondly, the market approach used comparable listed companies as references to assess the current fair market value of the valuation target. With information directly coming from the market, and from the market-oriented valuation perspective and approach, value ratios were calculated by obtaining and analyzing operating and financial information of comparable listed companies, and the value of the valuation target was determined based on comparative analysis with the evaluated entity, revealing the market value of the valuation target.

In summary, conducting the valuation of the value of the entire shareholders' equity of the Target Company after the proposed Restructuring by using the market approach valuation, the valuation conclusion adequately covers the value of the entire shareholders' equity of the evaluated entity, therefore a higher value was determined in such valuation.

Summary of valuation results using market approach

Unit: RMB'0,000

Items		Carrying Value	Appraised Value	Increase or Decrease in Value	Increase Ratio %
		A	B	C=B-A	D=C/A×100%
1	Current assets	308,239.23			
2	Non-current assets	284,123.31			
3	Long-term equity investments	284,089.44			
4	Other non-current assets	33.87			
5	**Total assets**	**592,362.54**			
6	Current liabilities	172,800.34			
7	Non-current liabilities	10,236.00			
8	**Total liabilities**	**183,036.34**			
9	**Net assets (ownership interests)**	**409,326.20**	**619,125.51**	**209,799.31**	**51.25**

Note: Please refer to pages IV-24 to IV-36 of this appendix for the details of the key inputs and how to determine and convert them into the above appraised values using the market approach.

(III) Analysis of the differences in the valuation results of the two valuation approaches

The difference between the valuation results of the value of the entire shareholders' equity of the Target Company after the Restructuring by using the asset-based approach and the market approach was RMB55,875,000, which was due to the below reasons:

Under the asset-based approach, each of the subordinate project companies has adopted the income approach for valuation. The income approach reflects the value of the enterprise and the valuation conclusion adequately covers the value of the entire shareholders' equity of the evaluated entity. In conducting the market approach valuation, although the appraisal officers had made sufficient necessary adjustments to the comparable listed companies, there were still uncertainties or factors that are difficult to adjust such as intangible assets and contingent liabilities unique to the comparable listed companies that the appraisal officers were unable to grasp, which led to the differences in the valuation results between the two approaches.

(IV) Selection of valuation conclusions

Considering that the Target Company could be appraised separately as a profit-making entity and in conjunction with the purpose of the Valuation, the Investor mainly considered the future profits they can be provided by the Target Company in the future. Under the asset-based approach, each of the project companies has been valued using the income approach, and therefore the results of the asset-based approach have been adopted as the final conclusion of the Valuation, that is, the market value of the value of the entire shareholders' equity of the Target Company after the Restructuring as at 30 June 2023 was amounted to RMB6,247,130,100.

VII. THE SCOPE OF WORK PERFORMED BY THE VALUER, ANY LIMITATION THEREON AND THE REASONS FOR SUCH LIMITATION

Scope

The subject of this project is the value of the entire shareholders' equity of the Target Company after the Restructuring, and the scope of the valuation is all the assets and liabilities of the Target Company after the Restructuring. The carrying values of the assets and liabilities are as follows:

Unit: RMB

Subject Name	Carrying Value
I. Total current assets	**3,082,392,276.76**
II. Total non-current assets	**2,841,233,119.22**
Long-term equity investment	2,840,894,408.97
Other non-current assets	338,710.25
III. Total assets	**5,923,625,395.98**
IV. Total current liabilities	**1,728,003,409.68**
V. Total non-current liabilities	**102,360,000.00**
VI. Total liabilities	**1,830,363,409.68**
VII. Net assets (ownership interests)	**4,093,261,986.30**

The above financial information as at the Valuation Benchmark Date was audited by Ernst & Young Hua Ming LLP (Special General Partnership), which issued an unqualified audit report with emphasis of matter, relating to the basis of preparation that such audit report was based on the assumption that the Restructuring, which had not been completed as of 30 June 2023, had been completed, under Ernst & Young Hua Ming (2023) Zhuan Zi No. 70019415_A01.

The subject and scope of the valuation commissioned are consistent with the subject and scope of the valuation involved in the economic behavior, and the enterprise has no off-balance-sheet identifiable assets and liabilities, among others:

For part of the distributed photovoltaic power generation subsidiaries, the Target Company and Beiqing Smart entered into an equity transfer agreement on 30 June 2023 to complete the equity transfer with the consideration of the carrying value of the long-term equity investment. For the remaining portion of the distributed photovoltaic power generation subsidiaries, the centralized photovoltaic power generation subsidiaries and the entrusted operation subsidiaries, the Target Company will complete the equity transfer by entering into equity transfer agreements with the subsidiaries of SHNE prior to the capital increase by potential investors. For the heat supply subsidiaries, the Target Company entered into an equity transfer agreement in June 2020 with 山高光伏電力發展有限公司 (Shandong Hi-Speed Photovoltaic Power Development Company Limited*) formerly known as 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*) ("**BENE**") and the settlement was completed on 31 March 2021. The scope of the valuation assumes that the above investment in the company's financial statements has been divested from 1 January 2020 onwards.

In 2020, the Target Company entered into a share transfer agreement with BENE to transfer its shares in Shandong Hi-Speed Renewable Energy Group Limited (formerly known as 北清環能集團股份有限公司 (BECE Legend Group Co., Ltd*), stock code: 000803) to BENE at the initial investment cost price, which was higher than the securities trading market price of the corresponding shares on the date of entering into the agreement. In order to truly reflect the business operation of the Company, the scope of the valuation assumes that the above investment has been divested from 1 January 2020 onwards.

All the above divestitures in the course of the Restructuring of the Target Company were equity restructuring within the scope of the merger of SHNE.

Due to the consideration of the company's overall capital management and financing plan, the Target Company intends to make a dividend distribution of RMB1.4 billion prior to the capital increase by potential investors, and the scope of the valuation assumes that the aforesaid dividend distribution will be included in the financial statements.

Restrictions

1. The appraisal professionals have not conducted technical tests on the technical parameters and performance of the various equipment as at the Valuation Benchmark Date, but have made their judgments through on-site inspections on the assumption that the relevant technical information and operational records provided by the evaluated entity are true and valid, and without the aid of any testing equipment.

2. The appraisal professionals have not carried out any technical inspection of the concealed works and internal structure (parts not observable by naked eyes) of the various buildings and structures, but have made their judgment through on-site inspections on the assumption that the relevant engineering information provided by the evaluated entity is true and valid, and without the aid of any testing equipment.

VIII. THE NATURE AND SOURCE OF INFORMATION RELIED UPON

The appraisal professionals obtain information independently from the market and other channels, obtain information from relevant parties such as the principal and the evaluated entity, and obtain information from government departments, various professional organizations and other relevant departments.

The appraisal professionals adopt appropriate means to verify and validate the information used in the asset appraisal activities. The means of verification and validation usually include observation, enquiry, written examination, on-site investigation, inquiry, correspondence and review, etc.

IX. THE KEY INPUTS AND ASSUMPTIONS, AND HOW THEY WERE DETERMINED AND TRANSLATED INTO THE APPRAISED VALUE

Assumptions

Please refer to the section headed "Profit forecast requirements under the Listing Rules – Assumptions" on pages 20 to 23 of this circular for the details of the assumptions.

Key inputs and how they were determined and translated into appraised values

Asset-based approach:

In the Valuation, the appraised values through the asset-based approach are adopted as the appraisal conclusion, and the formula is:

Value of total equity interests of shareholders = Sum of the assessed value of various assets of an enterprise – Sum of the assessed value of various liabilities

The valuation results using the asset-based approach is as follows:

Summary of results of asset valuation

Unit: RMB'0,000

Items		Carrying Value	Appraised Value	Increase or Decrease in Value	Increase Ratio %
		A	B	C=B-A	D=C/A×100%
1	Current assets	308,239.23	308,239.23	–	–
2	Non-current assets	284,123.31	499,510.12	215,386.81	75.81
3	Long-term equity investments	284,089.44	499,476.25	215,386.81	75.82
4	Other non-current assets	33.87	33.87	–	–
5	**Total assets**	**592,362.54**	**807,749.35**	**215,386.81**	**36.36**
6	Current liabilities	172,800.34	172,800.34	–	–
7	Non-current liabilities	10,236.00	10,236.00	–	–
8	**Total liabilities**	**183,036.34**	**183,036.34**	**–**	**–**
9	**Net assets (ownership interests)**	**409,326.20**	**624,713.01**	**215,386.81**	**52.62**

The appreciated assets are long-term equity investments. Considering each project company under long-term equity investments could be appraised separately as a profit-making entity and in conjunction with the purpose of the Valuation, the Investor mainly considered the future profits they can be provided by the Target Company. Therefore, project companies adopted the income approach as the final pricing methodology; the Target Company ultimately chose the asset-based approach as the pricing methodology due to the absence of actual business.

No.	Name of investee	Valuation approach	Pricing methodology
1	蔚縣北控新能源開發有限公司 (Yuxian County Beikong New Energy Development Co., Ltd.*)	A combination of market approach and income approach	Income approach
2	河南旭光商貿有限公司 (Henan Xuguang Commerce Co., Ltd.*)	A combination of market approach and asset-based approach	Asset-based approach
3	張家口萬全區光晨新能源有限公司 (Zhangjiakou Wanquan Guangchen New Energy Company Limited*)	A combination of market approach and income approach	Income approach
4	濟南中晟新能源開發有限公司 (Jinan Zhongcheng New Energy Development Company Limited*)	A combination of market approach and income approach	Income approach
5	曲陽綠谷能源科技有限公司 (Quyang Lvgu Energy Technologies Company Limited*)	A combination of market approach and income approach	Income approach
6	合肥中晶新能源科技有限公司 (Hefei Zhongjing New Energy Technology Company Limited*)	A combination of market approach and income approach	Income approach
7	合肥中鑫新能源科技有限公司 (Hefei Zhongxin New Energy Technology Company Limited*)	A combination of market approach and income approach	Income approach
8	鉛山縣天宏虹輝太陽能科技有限公司 (Yanshan Tianhong Honghui Solar Power Technology Company Limited*)	A combination of market approach and income approach	Income approach
9	巢湖睿閣光伏發電有限公司 (Chaohu Ruige Photovoltaic Power Generation Company Limited*)	A combination of market approach and income approach	Income approach
10	廬江東升太陽能開發有限公司 (Lujiang Dongsheng Solar Energy Development Co. Ltd.*)	A combination of market approach and income approach	Income approach
11	山西欣合眾新能源有限公司 (Shanxi Xinhezhong New Energy Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
12	靖邊縣東投能源有限公司 (Jingbian Dongtou Energy Corporation Limited*)	A combination of market approach and income approach	Income approach
13	唐山匯聯新能源發電有限公司 (Tangshan Huilian New Energy Power Generation Company Limited*)	A combination of market approach and income approach	Income approach

No.	Name of investee	Valuation approach	Pricing methodology
14	北中清潔能源投資(天津)有限公司 (Beizhong Clean Energy Investment (Tianjin) Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
15	瑞昌台達新能源投資有限公司 (Ruichang Taida New Energy Investment Co., Ltd.*)	A combination of market approach and income approach	Income approach
16	靈璧晨陽新能源發電有限公司 (Lingbi Chenyang New Energy Power Generation Co., Ltd.*)	A combination of market approach and income approach	Income approach
17	河北富桃園農業科技有限公司 (Hebei Futaoyuan Agricultural Technology Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
18	廣宗縣富平光伏發電有限公司 (Guangzong County Fuping Photovoltaic Power Generation Company Limited*)	A combination of market approach and income approach	Income approach
19	圍場滿族蒙古族自治縣中能光伏發電有限公司 (Weichang Manzu Mongolian Autonomous County Zhongneng Photovoltaic Power Generation Company Limited*)	A combination of market approach and income approach	Income approach
20	邢台萬陽新能源開發有限公司 (Xingtai Wanyang New Energy Development Limited*)	A combination of market approach and income approach	Income approach
21	大理瑞德興陽新能源科技有限公司 (Dali Ruide Xingyang New Energy Technology Company Limited*)	A combination of market approach and income approach	Income approach
22	寬城埃菲生太陽能發電有限公司 (Kuancheng Aifeisheng Photovoltaic Power Generation Company Limited*)	A combination of market approach and income approach	Income approach
23	榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*)	A combination of market approach and income approach	Income approach
24	北控清潔能源(包頭)電力有限公司 (Beikong Clean Energy (Baotou) Electric Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
25	西藏嘉天新能源投資開發有限公司 (Tibet Jiatian New Energy Investment and Development Company Limited*)	A combination of market approach and income approach	Income approach

No.	Name of investee	Valuation approach	Pricing methodology
26	金寨北控清潔能源電力有限公司 (Jinzhai Beikong Clean Energy Power Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
27	普安縣瑞輝新能源開發有限公司 (Puan County Ruihui New Energy Development Co., Ltd.*)	A combination of market approach and income approach	Income approach
28	通榆縣天宏虹輝太陽能發電科技有限公司 (Tongyu County Tianhonghonghui Solar Power Generation Technology Company Limited*)	A combination of market approach and income approach	Income approach
29	寧夏錦繡龍騰新能源有限公司 (Ningxia Jinxiulongteng New Energy Co. Ltd.*)	A combination of market approach and asset-based approach	Asset-based approach
30	貴州安龍鑫光能源有限公司 (Guizhou Anlong Xinguang Energy Company Limited*)	A combination of market approach and income approach	Income approach
31	南昌縣綠川新能源有限公司 (Nanchang County Lvchuan New Energy Company Limited*)	A combination of market approach and income approach	Income approach
32	南京益典弘新能源有限公司 (Nanjing Yidianhong New Energy Co. Ltd.*)	A combination of market approach and asset-based approach	Asset-based approach
33	河北賽仙斛農業科技有限公司 (Hebei Saixianhu Agricultural Technology Co. Ltd.*)	A combination of market approach and income approach	Income approach
34	固陽縣北清新能源有限公司 (Guyang County Beiqing New Energy Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
35	壽陽北控光伏發電有限公司 (Shouyang Beikong Photovoltaic Power Generation Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
36	天津寧欣節能環保科技有限公司 (Tianjin Ningxin Energy Conservation and Environmental Protection Technology Company Limited*)	A combination of market approach and income approach	Income approach
37	南京競弘新能源有限公司 (Nanjing Jinghong New Energy Co. Ltd.*)	A combination of market approach and asset-based approach	Asset-based approach
38	金杰新能源股份有限公司 (Jinjie New Energy Co., Ltd*)	A combination of market approach and income approach	Income approach
39	台山市晶科電力有限公司 (Taishan Jingke Electric Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach

No.	Name of investee	Valuation approach	Pricing methodology
40	融水縣融能電力科技有限責任公司 (Rongshui County Rongneng Electric Technology Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
41	武鄉北清電力智慧能源有限公司 (Wuxiang Beiqing Electric Power Smart Energy Co., Ltd.*)	A combination of market approach and asset-based approach	Asset-based approach
42	長嶺北控光伏發電有限公司 (Changling Beikong Photovoltaic Power Generation Company Limited*)	A combination of market approach and asset-based approach	Asset-based approach
43	武鄉縣盛武風力發電有限公司 (Wuxiang County Shengwu Wind Power Generation Company Limited*)	A combination of market approach and income approach	Income approach
44	樺甸北控新能源發展有限公司 (Huadian Beikong New Energy Development Company Limited*)	No assets, no operations, assessed at 0	No assets, no operations, assessed at 0
45	河南北控景泰清潔能源有限公司 (Henan Beikong Jingtai Clean Energy Company Limited*)	No assets, no operations, assessed at 0	No assets, no operations, assessed at 0
46	河南北控潤景清潔能源有限公司 (Henan Beikong Runjing Clean Energy Company Limited*)	No assets, no operations, assessed at 0	No assets, no operations, assessed at 0
47	青海山高綠陽新能源有限公司 (Qinghai Shangaolvyang New Energy Company Limited*)	No assets, no operations, assessed at 0	No assets, no operations, assessed at 0
48	河南北控睿風清潔能源有限公司 (Henan Beikong Ruifeng Clean Energy Company Limited*)	No assets, no operations, assessed at 0	No assets, no operations, assessed at 0
	Total		

Note: Please refer to appendix V to this circular for the details of the principal businesses of the above investees and the percentages of equity interests held by the Target Company in the above investees.

The basic valuation model for the income approach of the project company is:

$E = B - D$

Where,

E: Value of shareholders' total equity (net assets) in the evaluated entity;
D: Value of the interest-bearing debts of the evaluated entity;
B: Enterprise value of the evaluated entity;

$B = P + \Sigma C_i$

P: Value of the operating assets of the evaluated entity;

$$P = \sum_{i=1}^{n} \frac{Ri}{(1+r)^i}$$

Where,

R_i: Expected income of the evaluated entity in the i-th year in the future (free cash flows of the enterprise);
r: Discount rate;
n: Forecast period of the evaluated entity after the Valuation Benchmark Date;
ΣC_i: Value of non-operating and surplus assets of the evaluated entity existing as at the benchmark day.

$$\sum C_i = C_1 + C_2$$

C_1: Value of surplus cash assets of the evaluated entity existing as at the Valuation Benchmark Date;
C_2: Value of other non-operating and surplus assets of the evaluated entity existing as at the Valuation Benchmark Date;

The parameters of the income approach are determined as follows:

(1) Determination of forecast period

During valuation, on the basis of a comprehensive analysis of the enterprise's income and cost composition, capital structure, capital expenditure, investment income and risk level, the forecast period is reasonably determined in combination of factors such as project feasibility study reports, macro policies, industry cycles and the economic life of photovoltaic modules and wind turbines. Among them, the photovoltaic power projects are predicted based on a full life cycle of 25 years, and wind power enterprises are predicted based on a full life cycle of 20 years.

(2) Determination of operating income

1) On-grid electricity volume

The on-grid electricity volume is predicted based on the actual settled electricity volume of each new energy project company during the historical period. In particular, due to modules' physical characteristics of attenuation, the yearly attenuation of power generation in photovoltaic power generation projects is considered according to the data of the feasibility study report of each project. The annual utilization hours of power generation of each photovoltaic project range from 904.98 to 1,694.84 hours (forecast data for 2024), and the annual utilization hours of power generation of each wind power project range from 2,510.00 to 3,436.77 hours.

2) On-grid tariff

In terms of tariffs, the benchmark tariff, the tariff with national subsidy, the market trading tariff and various assessments are calculated based on the tariff approval documents, historical market tariff and actual settled tariff of each new energy power generation project company. The tariffs for each photovoltaic project range from RMB0.3597 to RMB1.2500 per kwh, and the tariffs for wind power projects range from RMB0.4900 to RMB0.5171 per kwh.

On 29 September 2020, the Ministry of Finance and other relevant departments jointly issued the《＜關於促進非水可再生能源發電健康發展的若干意見＞有關事項的補充通知》(財建〔2020〕426號) ("Supplemental Notice Regarding Several Opinions on Promoting the Healthy Development of the Power Generation of Non-hydro Renewable Energy" (Cai Jian [2020] No. 426) *), which for the first time in the form of a document, clarified the "reasonable utilization hours throughout the full life cycle" and the subsidy term for photovoltaic project subsidies. In particular, if the subsidy is limited according to the subsidy term: the photovoltaic projects that have been connected to the grid for 20 years will no longer enjoy the central government subsidies, regardless of whether they have reached the power generation eligible for subsidy of its full life cycle. If the subsidy is limited according the utilization hours: the reasonable utilization hours of the full life cycle of photovoltaic power generation projects in the first, second and third category of resource areas are 32,000 hours, 26,000 hours and 22,000 hours, respectively. The reasonable utilization hours of the full life cycle of the projects under the top runner program determined by the state and the bidding projects in 2019 and 2020 shall increase by 10% on the basis of the hours of resource areas in which such projects located. All electricity within the reasonable utilization hours shall enjoy subsidies; the wind power projects that have been connected to the grid for 20 years will no longer enjoy the central government subsidies, regardless of whether they have reached the power generation eligible for subsidy of its full life cycle. If the subsidy is limited according to the utilization hours: the reasonable utilization hours of the full life cycle of resource areas I to IV are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively; the reasonable utilization hours of the full life cycle of offshore wind power are 52,000 hours. All electricity within the reasonable utilization hours shall enjoy subsidies.

The Valuation is conducted in accordance with the above regulations to predict the revenue from the tariff with national subsidy.

(3) Determination of operating costs

Operating costs mainly include depreciation and amortisation expenses and entrusted operation expenses.

1) For depreciation and amortisation expenses, depreciation expense is determined based on the original net value, depreciable life, and residual value rate of fixed assets; amortisation expense is determined based on the original book value and amortisation life of intangible assets.

2) Off-grid tariffs: off-grid tariffs are forecasted based on the historical level in combination with the power generation situation of the enterprise.

3) The entrusted operation expenses are determined based on the level of operation and maintenance fee determined by the operator and taking into account an increase of 5% in operation and maintenance for every five years in the later stage of operation of the unit.

4) Lease payments: determined based on the historical level of lease payments and the amount of lease payments corresponding to the long-term prepayment of the enterprise.

5) Others: other expenses in the history of the enterprise are relatively small and are forecasted separately for each project company.

The operating cost forecast is detailed in the table of income forecast.

(4) Determination of taxes and surcharges

Taxes and surcharges to be borne by the evaluated entity include value-added tax surcharge, among which the value-added tax rate is 13%, urban construction tax, education surcharge and local education surcharge are calculated based on the actual tax rates implemented by the respective project companies, with a stamp duty rate of 0.03%.

For value-added tax ("VAT") surtax, the sales tax and input tax are forecasted and the amount of VAT payable is estimated based on the forecasted values of operating income and operating costs for the coming years, and on this basis, the VAT surtax is forecasted by taking into account the rates of various surtaxes. In estimating the VAT payable, the input tax to be deducted at the Valuation Benchmark Date is deducted year by year on the basis of the sales tax of each year.

(5) Selling expenses forecast

There is no selling expenses, thus there is no selling expenses forecast in the Valuation.

(6) Management expenses forecast

The amount of management expenses is relatively small, which has been incorporated into the cost forecast.

(7) Other income forecast

For the wind power project companies within the scope of valuation, pursuant to the《關於風力發電增值稅政策的通知》(財稅[2015174]號) ("Notice on Value-added Tax Policy for Wind Power Generation" (Cai Shui [2015174])*) jointly issued by the Ministry of Finance and the State Taxation Administration, with effect from 1 July 2015, a policy of immediate 50% refund of VAT shall be applied to the sales by taxpayers of self-produced electricity products generated by utilizing wind power. The forecast has been considered under such policy.

(8) Income tax forecast

According to the (國稅發[2009]80號文)《關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》("Notice on the Implementation of Enterprise Income Tax Preferential Issues for Public Infrastructure Projects Supported by the State" (Guo Shui Fa [2009] No. 80)*) issued by the State Taxation Administration, since the taxable year in which the project receives its first production and operating income, the project will be exempted from enterprise income tax from the first to the third year, and will be subject to a 50% reduction in enterprise income tax from the fourth to the sixth year. Forecasts will be made based on the actual tax returns filed by each project company.

For certain project companies enjoying the preferential enterprise income tax policy for the development of the western region, the applicable income tax rate from 2023 to 2030 is calculated at 15% in accordance with the 《財政部稅務總局國家發展改革委關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號) ("Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on the Renewal of the Enterprise Income Tax Policy for the Development of the Western Region" (Announcement of the Ministry of Finance in 2020 No. 23)*).

(9) Determination of depreciation, amortization and capital expenditure

Depreciation and amortization represent the amount of depreciation and amortization of all fixed assets, intangible assets and long-term deferred expenses of the evaluated entity arising from the use of these assets, which mainly includes depreciation of fixed assets of the project, the amortization of the land use rights and the amortization of the land lease charges. This projection of future depreciation and amortization is based on the book value of each asset and in conjunction with the accounting policies of the evaluated entity.

Capital expenditure is actually the reinvestment of the enterprise, which is an expenditure used to maintain the operation of the existing assets of the enterprise and create new assets to ensure the continuous growth of the enterprise in the future. As the capital expenditure of this new energy power generation project will be made as a lump-sum investment in fixed assets of the project, the capital expenditure on fixed assets including buildings, structures, machinery and equipment and intangible assets will not be taken into account during the operation forecast period, and the expenditure on electronic equipment and other small equipment will be mainly considered.

(10) Working capital forecast

Generally speaking, as the enterprise's operating activities are carried out, the cash balance to be maintained to meet the enterprise's daily operational payments also has to increase, thus requiring the occupation of more liquidity. However, the enterprise, at the same time, by obtaining normal commercial credits from its suppliers, reduces the immediate payment of funds, and accordingly saves part of its liquidity.

Due to the simple operating model of the photovoltaic power business, only the main factors such as cash to be retained for normal operations (minimum cash holdings), receivables and payables need to be considered.

For minimum cash holdings, cash holdings are recognized on the basis of one month's out-of-pocket costs calculated based on costs, taxes, fees, etc.; payables are measured on the basis of the nature of the payables combined with the ratio of the payables to the out-of-pocket costs; if the accounting content of receivables is the benchmark tariff receivable for coal-fired power, it is calculated based on a turnover period of one month. For enterprises that have been included in the National Subsidy Catalogue and the Qualified List, national subsidies shall be collected at 20% of the reserved national subsidies in the second half of year 2023, 80% of the reserved subsidies and the national subsidies for the second half of 2023 in year 2024, the full-year subsidies for year 2024 in year 2025, and so on; for enterprises that have not been included in the National Subsidy Catalogue or the Qualified List, national subsidies shall be collected at 50% of the reserved subsidies in year 2024, 50% of the reserved subsidies and the national subsidies for the second half of year 2023 in year 2025, the national subsidies for years 2024 and 2025 in year 2026, the national subsidies for year 2026 in year 2027, and so on; for project companies that have already received a large amount of national subsidies, the recovery cycle should be appropriately accelerated.

(11) Working capital and fixed assets recovery at the end of the period

As the Valuation adopts a finite period model, working capital recovery (expressed as a negative increase in working capital) and salvage value recovery after the expiration of the economic life of the fixed assets have been taken into account at the end of the forecast period. The salvage value recovery rate of fixed assets is measured at 5%.

(12) Determination of discount rate

The income in the valuation is based on the free cash flows for the enterprise, and the discount rate is the weighted average capital costs (WACC).

$$r = r_d \times W_d + r_e \times W_e$$

Where,

r_d: Interest rate of interest-bearing debts after income tax;

$$r_d = r_0 \times (1\text{-}t)$$

r_0: Interest rate of interest-bearing debts before income tax;

t: Applicable income tax rate;

W_d: Proportion of the value of interest-bearing debts in investment assets;

$$W_d = \frac{D}{(E + D)}$$

W_e: Proportion of the value of equity capital in investment assets;

$$W_d = \frac{E}{(E + D)}$$

r_e: Cost of equity capital, which is determined by the CAPM (Capital Asset Pricing Model).

The formula is as follows:

$r_e = r_f + \beta (r_m - r_f) + \varepsilon$

Where,

r_e: Cost of equity capital;
r_f: Risk-free rate of return;
β: Risk coefficient of the enterprise;
$r_m - r_f$: Market risk premium;
r_m: Market return rate;
ε: Enterprise-specific risk adjustment coefficient

(1) Determination of risk-free rate of return (r_f)

Risk-free rate of return reflects the basic value of capital without default risk for the principal and with guaranteed expected income, in which case, the investors only sacrificed the use-value and function of the currency at a given time. For general investors, the rate of treasury bonds is usually regarded as a reference for the risk-free rate of return, not only because the rate of treasury bonds of countries, as compared to those of the similar financial products in the financial market, is the lowest, but also because treasury bonds are characterised by maturity, safety, yield and liquidity.

In light of the above intrinsic characteristics of treasury bonds, the compound interest rate of which is usually used as a risk-free rate.

With respect to all references to the "IFind Information System" in this appendix, the full name of which is 同花順iFinD金融數據終端 (iFinD Financial Information Terminal of RoyalFlush*), it provides financial data and information services to the government, enterprises, intermediaries, investors and other parties, which include the market trends, research reports on news and basic information etc., covering the stocks, bonds, funds, futures, indices, foreign exchanges and other financial products. Users of which need to enter specified parameters on the client interface of the said system to extract the desired data.

The aforesaid system is a financial information system developed by 杭州同花順數據開發有限公司 (HangZhou TongHuaShun Data Processing Co., Ltd.*) ("**HangZhou TongHuaShun**"), a wholly-owned subsidiary established by 浙江核新同花順網路信息股份有限公司 (Hithink RoyalFlush Information Network Co., Ltd.*) (hereinafter referred to as "**Hithink**"), a company listed on the ChiNext Market of Shenzhen Stock Exchange. HangZhou TongHuaShun specialises in the internet financial information data cloud service, including financial data acquisition, data processing, data storage, data mining analysis and trading as well as other comprehensive financial information services. Hithink is the first listed company in the internet financial information service industry in China (stock code: 300033), the only national informatisation pilot engineering unit in the industry, and a key software enterprise falling within the State's planned arrangement. It has established a provincial-level R&D centre and a provincial-level financial information engineering technology research centre, being the "IFind Information System" and the "Wind Financial Terminal", which have become the main source of financial information for the appraisers in mainland China. Therefore, in light of the professionalism of its development team and the strong technical strength of its parent company, Hithink, together with the fact that the system has been widely used, all references to the "IFind Information System" in this appendix are credible.

Based on the search on the IFind Information System, the yield to maturity of treasury bonds of 3.87% (compound yield) with maturity date over 10 years from the Valuation Benchmark Date is selected by the appraisal professionals as the risk-free yield.

Risk-free rate of return (r_f) = 3.87%.

(2) Determination of the systematic risk parameter of equity (β)

β is regarded as the indicator to weigh the comparative risks among companies. For investment in a company in the stock market, if its β value is 1.1, it implies that the risk of its stock is 10% higher than the risk of the whole stock market in average. Alternatively, if the company's β is 0.9, it implies that the risk of its stock is 10% lower than the risk of the whole stock market in average.

Reasonable rate of return on individual stocks = risk-free rate of return + β × (overall rate of return of the stock market – risk-free rate of return) + enterprise-specific risk adjustment coefficient

When $\beta = 1$, it represents that the systematic risk of such individual stock is equivalent to the overall systematic risk of the large cap stocks;

When $\beta > 1$, it represents that the systematic risk of such individual stock is higher than that of the large cap stocks, making it generally susceptible to economic cycles;

When $\beta < 1$, it represents that the risk of such individual stock is lower than that of the large cap stocks, making it generally not susceptible to economic cycles.

The systematic risk parameter of equity (β):

$\beta = \beta u \times [1 + (1\text{-}t)\ D/E]$

Where, β: Systematic risk parameter of equity (β with financial leverage)

βu: β without financial leverage

D/E: Market value of debts/market value of equity

t: Income tax rate

Through the software system of the IFind Information System, the appraisal professionals selected domestic A-share listed companies in the same industry with the same business scope, similar scale of operation and similar capital structure as the evaluated entity, checked the β coefficients with financial leverage, the ratios of the value of interest-bearing debts to equity capital and the corporate income tax rates of comparable listed companies, and calculated the average of the coefficients without financial leverage (βu) of the comparable listed companies, applying it as the coefficient without financial leverage (βu) of the evaluated entity. The Valuation assumes that the evaluated entity would keep at the average level of capital structure of comparable companies in the course of its operations for the purpose of the calculation of the available systematic risk coefficient with financial leverage (β).

(3) Determination of the market return rate (r_m)

Market return rate is the expected return rate of market securities portfolio, and the determination of r_m can either rely on historical data or prior projection. Generally, the average return rate for a period from the commencement date of dealings of CSI 300 in the stock market to the valuation date will be regarded as the market return rate. Through the IFind Information System, the average return rate (r_m) for a period from the commencement date of dealings of CSI 300 in the stock market to the valuation date is 9.06%.

(4) Determination of the enterprise-specific risk adjustment coefficient (ε)

The specific risk premium and discount of a company refer to non-systematic risks. As the target company has its specific advantages or disadvantages, its required rate of return increases or decreases accordingly. The evaluated entity under the Valuation is a non-listed company, while those selected for the evaluation parameters are listed companies, specific risk adjustment is therefore required. The specific risk adjustment coefficient for the appraised enterprise was determined to be 1.00% after comprehensively taking into account the size of the enterprise, the stage of operation of the enterprise, the stage of development of its major products, the business, products and geographical distribution of the enterprise, the operating conditions of the enterprise, the internal management and control mechanism of the enterprise, the experience and qualifications of the management staff, and the reliance on its major customers and suppliers, etc.

(5) Determination of the discount rate (r_e)

Applying each of the above values to the formula: $r_e = r_f + \beta\ (r_m\text{-}r_f) + \varepsilon$

(6) Determination of the consolidated discount rate (r)

The LPR of the interest-bearing debts before income tax is 4.20%, and the discount rate of the respective project companies calculated based on the formula is 7.01% to 8.03%. Any change on such discount rate shall be the result of a change in the income tax rate.

As the operating entities of the evaluated entity are the subsidiaries or sub-subsidiaries of it, and there are 61 subsidiaries and sub-subsidiaries as of the Valuation Benchmark Date, the risk of valuation is therefore very diversified, which implies that changes in key assumptions or inputs of any individual subsidiary or sub-subsidiary will not have a significant impact on the valuation of the evaluated entity.

The process of determining the parameters for the market approach is as follows:

Key inputs:

1. Introduction to value ratio

The value ratio is a ratio of asset value to a closely related indicator thereof, i.e.:

Value ratio = Asset value/Indicator closely related to asset value

The value ratios are divided into full investment value ratios and equity investment value ratios. The numerator of a value ratio, being the indicator closely related to asset value, may be profit indicator, income indicator, asset indicator or other specific non-financial indicators. Different types of indicators can derive different types of value ratios, for example, a profit indicator derives an profit-based value ratio; and an asset indicator derives an asset-based value ratio.

Value ratios commonly used are listed below:

(1) Profit value ratios:

The profit value ratios are value ratios established between the asset value and profit indicators, which can be further divided into full investment value ratios and equity investment value ratios.

1) EV/EBIT = (Equity value + Value of creditor's right)/Earnings before interest and tax

2) EV/EBITDA = (Equity value + Value of creditor's right)/Earnings before interest, tax, depreciation and amortisation

3) EV/NOIAT = (Equity value + Value of creditor's right)/Liability-free cash flow

Note: NOIAT = EBIT× (1-T) + depreciation/amortisation

4) P/E = Equity value/Profit after tax

(2) Income value ratios:

The income value ratios are the value ratio established between the asset value and sales income, including full investment value ratios and equity investment value ratios.

1) Sales income value ratio = (Equity value + Value of creditor's right)/Sales income

2) P/S = Equity value/Sales income

(3) Asset value ratios

The asset value ratios are value ratios established between the asset value and asset indicators, including full investment value ratios and equity investment value ratios, which generally include:

1) Total assets value ratio = (Equity value + Value of creditor's right)/Total assets value

2) Fixed assets value ratio = (Equity value + Value of creditor's right)/Fixed assets value

3) P/B = Equity value/Net assets shown in the statements

(4) Other value ratios of special basis

The other value ratios of special basis are value ratios established between the asset value and certain special non-financial indicators, which include:

1) Inventory value ratio = (Equity value + Value of creditor's right)/Inventory volume

2) Value ratio of handling volume and throughput = (Equity value + Value of creditor's right)/Handling volume and throughput

3) Value ratio of number of professionals = (Equity value + Value of creditor's right)/Value ratio of number of professionals

Among four types of value ratios mentioned above, profit-based value ratios and asset-based value ratios are relatively common-used, while special value ratios are more suitable for assessing the value of enterprises engaging in special industries. Value ratios usually include profit ratios, asset ratios, income ratios and other special ratios. The appraisal professionals shall take the following matters into consideration in selecting, calculating and applying the value ratios, such as, the selected value ratios shall be conducive to the reasonable determination of the value of the appraised subject; the data source and calculating method for the calculation of value ratios shall be consistent; reasonable adjustments shall be made on the difference between the comparable enterprises and the appraised enterprise when applying such value ratios.

2. Selection of value ratios

Since there may be certain differences in the capital structure between the listed company and the appraised company, it is necessary to eliminate the impacts of such differences. The best way to eliminate the impacts of such differences is to use the full investment index. The so-called full Investment index mainly consists of the multiplier of the ratio of the overall value of the enterprise to its main business income, while the EBITDA index eliminates the impacts of the difference in capital structure on gains.

Considering that the vast majority of photovoltaic and wind power generation enterprise costs are depreciation, and that the revenue period is usually finite, for new energy power generation enterprises that have already been built and operated basically will not incur more capital expenditures during the forecast period, the full investment enterprise value and EBITDA can minimize the possible impacts due to the difference in depreciation/ amortization policies of the enterprises based on reducing the impacts of the capital structure.

To summarize, EV/EBITDA is selected as the value ratio multiplier.

EV/EBITDA is used as the value ratio multiplier, and EBITDA should be annualized. The revised value ratio multipliers are as follows:

Items	000591.SZ	600032.SH	601778.SH	600821.SH
	TYN	Zhejiang New Energy	Jinko Power	Nyocor
EV/EBITDA before correction	10.40	11.97	10.10	11.03
Revision of financial indicators	88.83%	90.78%	105.22%	90.85%
Revision of power generation revenue	89.51%	87.73%	106.55%	111.33%
EV/EBITDA after correction	8.269	9.531	11.328	11.154
Arithmetic average	10.07			

The audited financial information of the evaluated entity for the year 2022 and the Valuation Benchmark Date is as follows:

Unit: RMB'0,000

Items	**30 June 2023**	**31 December 2022**
Total current assets	576,684.25	544,867.50
Total non-current assets	1,084,717.77	1,087,796.27
Total assets	1,661,402.02	1,632,663.77
Total current liabilities	351,037.88	207,000.95
Total non-current liabilities	707,743.86	706,979.18
Total liabilities	1,058,781.73	913,980.13
Total owners' equity attributable to the parent company	600,287.24	716,547.02
Total owners' equity	602,620.28	718,683.64
Items	**January-June 2023**	**2022**
Revenue	86,849.90	159,937.73
Operating cost	36,675.14	68,216.59
Net profit	23,280.50	36,399.08
Net profit attributable to the parent company	23,084.06	36,013.34

The base parameters of the evaluated entity resulting from the adjustment calculation are as follows.

Unit: RMB'0,000

Subject Name	Annualized Data
EBITDA	147,804.45

LIST OF COMPARABLE ENTITIES IN THE MARKET AND BASIS OF PREPARATION

1. Selection of comparable enterprises

As at the Valuation Benchmark Date, the valuers determined the total equity value of the shareholders of the evaluated entity by the method of analyzing the comparable enterprises selected from domestic listed companies. The criteria for selecting comparable enterprises in this valuation were as follows:

The comparable enterprises had been listed for at least two years;

The industry in which the comparable enterprises operated or their main business was new energy power generation;

The operating performance of the comparable enterprises was similar to that of the evaluated entity.

The valuers first selected the photovoltaic and wind power generation industry based on the industry in which the subject enterprise operated and the industry classification by the CSRC, and selected the listed companies from that industry with the same or similar business type as the subject enterprise. In the end, four listed companies were determined as comparable, and the details of which were as follows:

(1) Comparable enterprise I: TYN [000591.SZ]

The main business of CECEP Solar Energy Co., Ltd. ("**TYN**") is the investment and operation of solar photovoltaic power plants, and its main product is electricity, which is mainly sold to State Grid Corporation of China; meanwhile, it is also engaged in the production and sales of solar cell modules, which are mainly used for external sales.

By continuously promoting high-quality investment in the construction of photovoltaic power plants, as of the end of 2022, the company has operating power plants of approximately 4.347 gigawatt, power plants under construction of approximately 1.784 gigawatt, and planned power plants or plants under acquisition of approximately 2.807 gigawatt, totaling approximately 8.938 gigawatt. The total production capacity of the company's solar products is 5 gigawatt, with an annual production capacity of 1.5 gigawatt for high-efficiency photovoltaic batteries and 3.5 gigawatt for high-efficiency photovoltaic modules.

The company's photovoltaic power plant business is distributed in 23 provinces, municipalities or autonomous regions across the country (Hebei Province, Shanxi Province, Jilin Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Shandong Province, Hubei Province, Guizhou Province, Shaanxi Province, Gansu Province, Qinghai Province, Yunnan Province, Liaoning Province, Fujian Province, Heilongjiang Province, Shanghai City, Tianjin City, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region), and is operated and managed in seven major regions and by one company, respectively. The regional distribution of the company's installed capacity is as follows: 731.8MW of operating power plants in the West Central Region; 1,284.44MW of operating power plants in East China; approximately 597.39MW of operating power plants and 300MW of power plants under construction in North China; 669.4MW of operating power plants and 316.4MW of power plants under construction in the Northwest Region; 417.2MW of operating power plants and 298MW of power plants under construction in Central China; 480MW of operating power plants and 270MW of power plants under construction in Xinjiang Region; 100MW of operating power plants and 600MW of power plants under construction in South China; and 66.428MW of operating power plants by 鎮江公司 (Zhenjiang Company*).

The composition of revenue from principal business of the company for the past three years is as follows:

Items	2022 annual report	2021 annual report	2020 annual report
Revenue	**923,638.47**	**701,577.19**	**530,500.57**
Sales of solar products (RMB'0,000)	485,688.67	254,860.06	122,671.87
Sales of solar power (RMB'0,000)	435,600.26	444,914.42	405,594.30
Others (RMB'0,000)	2,349.53	1,802.70	2,234.40
Composition of revenue			
Sales of solar products (%)	52.58	36.33	23.12
Sales of solar power (%)	47.16	63.42	76.46
Others (%)	0.25	0.26	0.42

(2) Comparable enterprise II: Zhejiang New Energy [600032.SH]

The main business of 浙江省新能源投資集團股份有限公司 (Zhejiang New Energy Investment Group Co., Ltd.*) ("**Zhejiang New Energy**") is the investment, development, construction, operation and management of renewable energy projects including hydropower generation, photovoltaic power generation and wind power generation; and its main products include wind power, hydropower, photovoltaic power, the hydrogen energy business and the green securities trading business. As of the end of 2022, the company has 98 holding enterprises and has put into operation a consolidated installed capacity of 4.3781 million kilowatts, including 1.1322 million kilowatts of hydropower, 1.9597 million kilowatts of photovoltaic power and 1.2862 million kilowatts of wind power. In the same year, a new consolidated installed capacity of 584,000 kilowatts was put into operation.

The composition of revenue from principal business of the company for the past two years is as follows:

Items	2022 annual report	2021 annual report
Revenue	**459,806.90**	**290,953.38**
Photovoltaic power generation (RMB'0,000)	181,624.09	168,628.55
Wind power generation (RMB'0,000)	154,832.93	37,611.72
Hydropower generation (RMB'0,000)	114,439.82	79,010.00
Other businesses (RMB'0,000)	7,843.91	2,481.87
Hydrogen energy business (RMB'0,000)	743.36	3,221.24
Percentage of the revenue		
Photovoltaic power generation (%)	39.50	57.96
Wind power generation (%)	33.67	12.93
Hydropower generation (%)	24.89	27.16
Other businesses (%)	1.71	0.85
Hydrogen energy business (%)	0.16	1.11

(3) Comparable enterprise III: Jinko Power [601778.SH]

The main business of Jinko Power Technology Co., Ltd. ("**Jinko Power**") is development, operation and transfer of photovoltaic power plants and EPC of photovoltaic power plants. The company's main products include large-scale ground power plants, mountain photovoltaic power plants, fisheries and photovoltaic complementary power plants, agricultural and photovoltaic complementary power plants, rooftop distributed power plants, and forest and photovoltaic complementary power plants. As of the end of 2022, the company's management scale of power plants reached 5.7GW in total, of which the installed capacity of self-owned power plants reached 3.6GW and the installed capacity of external maintenance power plants reached 2.1GW. At the same time, based on the profit-oriented principle, the company further optimized the structure of external maintenance power plants, actively explored the integrated energy services, such as energy storage, electricity sales, etc., and continued to solidify the brand advantage of its overseas business.

The composition of revenue from principal business for the last three years is as follows:

Items	2022 annual report	2021 annual report	2020 annual report
Revenue	**319,648.66**	**367,495.36**	**358,751.14**
Development, operation and transfer of photovoltaic power plants	273,271.66	277,571.94	–
EPC of photovoltaic power plants	42,116.78	88,926.00	64,210.19
Others	4,117.89	840.13	–
Other business	142.33	157.28	6,322.90
Photovoltaic power generation	–	–	–
Operation of photovoltaic power plants	–	–	288,218.05
Composition of revenue			
Development, operation and transfer of photovoltaic power plants (%)	85.49	75.53	–
EPC of photovoltaic power plants (%)	13.18	24.20	17.90
Others (%)	1.29	0.23	–
Other business (%)	0.04	0.04	1.76
Photovoltaic power generation (%)	–	–	–
Operation of photovoltaic power plants (%)	–	–	80.34

(4) Comparable enterprise IV: Nyocor [600821.SH]

The main business of Nyocor Co., Ltd. ("**Nyocor**") is the development, investment, construction and operation of new energy power, mainly including photovoltaic power generation and wind power generation. The main products are wind power generation and photovoltaic power generation. As of 31 December 2022, the company had approved installed capacity of 5,566MW and on-grid capacity of 3,754MW, representing a year-on-year increase of 17% and 20%, respectively. Among them, the on-grid capacity of photovoltaic projects is 2,537MW, and the on-grid capacity of wind power projects is 1,217MW. During the reporting period, the cumulative power generation of the company amounted to 6,278 million kWh, representing a year-on-year increase of 67.04%. The company continues to invest in a diversified portfolio of high-quality photovoltaic and wind power assets, actively explores the complementarity of multiple energy sources, and improves the asset distribution of energy storage and hydrogen energy, while exploring industry segmentation investment opportunities in new materials and other synergistic areas. The new energy power plant projects in operation invested by the company are mainly located in Shandong, Hebei, Shanxi, Ningxia and Xinjiang, which are economically developed or have excellent wind and solar resources. In 2022, the company increased its development and investment in the Tianjin-Hebei region, which has an advantage in terms of resources, and the central and southeast region, which has an advantage in terms of consumption.

The composition of revenue from principal business for the last three years is as follows:

Items	2022 annual report	2021 annual report	2020 annual report
Revenue	**308,226.25**	**190,792.55**	**135,686.15**
Photovoltaic power generation	174,847.50	128,411.32	100,518.41
Wind power generation	127,608.21	59,376.77	34,333.90
Other business	5,770.54	3,004.46	736.24
Composition of revenue			
Photovoltaic power generation (%)	56.73	67.30	74.08
Wind power generation (%)	41.40	31.12	25.30
Other business (%)	1.87	1.57	0.54

Any adjustments made in respect of the differences between the trading target and comparable entities in the market and the determination method thereof.

Adjustments were made in respect of the differences between the comparable listed companies and the evaluated entity in terms of profitability and operational capacity with reference to the 2023 edition of the《企業績效評價標準值》(“Enterprises Performance Appraisal Index”*). The relevant parameters for each company are as follows:

Index		000591.SZ	600032.SH	601778.SH	600821.SH
	Evaluated entity	TYN	Zhejiang New Energy	Jinko Power	Nyocor
Asset quality					
Total asset turnover rate	0.10	0.21	0.10	0.10	0.11
Receivables turnover rate	0.44	0.92	0.85	0.66	0.68
Solvency					
Gearing ratio	63.73	53.04	69.35	66.55	72.99
Interest coverage ratio obtained	2.13	3.01	2.11	1.34	2.06
Growth ability					
Power generation revenue growth rate	–2.23%	–2.34%	41.89%	–4.73%	56.98%
Capital preservation and appreciation rate	83.77	146.64	111.90	100.70	171.23
Profitability					
Return on total assets	10.73%	9.36%	9.77%	6.53%	9.14%

The scores are based on various financial indicators on a standard of 100 for the evaluated entity. The scores are as follows:

Index		000591.SZ	600032.SH	601778.SH	600821.SH
	Evaluated entity	**TYN**	**Zhejiang New Energy**	**Jinko Power**	**Nyocor**
Asset quality					
Total asset turnover rate	100	102	100	100	100
Receivables turnover rate	100	102	100	100	100
Solvency					
Gearing ratio	100	102	100	100	98
Interest coverage ratio obtained	100	102	100	96	100
Growth ability					
Power generation revenue growth rate	100	100	108	100	108
Capital preservation and appreciation rate	100	104	102	100	104
Profitability					
Return on total assets	100	100	100	99	100

The geometric average of the score of each sub-item under each ability is used as the score of the ability, and the value ratios are adjusted accordingly as follows:

Index		000591.SZ	600032.SH	601778.SH	600821.SH
	Evaluated entity	**TYN**	**Zhejiang New Energy**	**Jinko Power**	**Nyocor**
Asset quality					
Total asset turnover rate	100	0.98	1.00	1.00	1.00
Receivables turnover rate	100	0.98	1.00	1.00	1.00
Solvency					
Gearing ratio	100	0.98	1.00	1.00	1.02
Interest coverage ratio obtained	100	0.98	1.00	1.04	1.00
Growth ability					
Revenue growth rate	100	1.00	0.93	1.00	0.93
Capital preservation and appreciation rate	100	0.96	0.98	1.00	0.96
Profitability					
Return on total assets		1.00	1.00	1.01	1.00
Revision of financial index		88.83%	90.78%	105.22%	90.85%

There are differences between the comparable listed companies and the evaluated entity in terms of power generation revenue and installed capacity which need to be adjusted. The relevant parameters for each company are as follows:

Index		000591.SZ	600032.SH	601778.SH	600821.SH
	Evaluated entity	TYN	Zhejiang New Energy	Jinko Power	Nyocor
New energy power generation revenue	161,763.02	435,600.26	271,348.64	275,421.80	302,455.71
Installed capacity - 0'000 kilowatts	180.3445	434.7	265.39	327.1755	375.4
Revenue per unit capacity	896.97	1,002.07	1,022.45	841.82	805.69
Revision of power generation index		89.51%	87.73%	106.55%	111.33%

X. THE APPRAISED VALUE ASCRIBED TO THE TRANSACTION TARGET AND THE PRINCIPAL REASONS FOR THE CONCLUSIONS REACHED

Considering that the Target Company could be appraised separately as a profit-making entity and taking into account the purpose of this valuation, the Investor mainly considered the future profits that can be provided by the Target Company in the future. Under the asset-based approach, each of the project companies has been valued using the income approach, and therefore the results of the asset-based approach have been adopted as the final conclusion of this valuation, that is, the market value of the value of the entire shareholders' equity of the Target Company as at 30 June 2023 after the proposed Restructuring amounted to RMB6,247,130,100.

XI. THE EFFECTIVE DATE OF THE VALUATION

If there are no significant changes in the market conditions or asset condition since the Valuation Benchmark Date, it will be valid for one year from the Valuation Benchmark Date, that is from the Valuation Benchmark Date of the asset (being 30 June 2023) to 29 June 2024.

XII. IDENTITY, QUALIFICATION AND INDEPENDENCE OF THE VALUER

The Valuer holds a valid business licence issued by 北京市朝陽區市場監督管理局 (Chaoyang District Market Supervision and Administration Bureau of Beijing Municipality*) dated 11 April 2023 and a 資產評估資格證書 (Certificate of Qualification for Asset Evaluation*) which has been approved by the Beijing Municipal Finance Bureau based on Filing Notice no. 2018-0008 issued by the said bureau. Each of the two relevant assets appraisers responsible for the preparation of the Valuation Report holds a 資產評估師職業資格證書 (Professional Qualification Certificate for Asset Appraisers*) issued by the China Appraisal Society dated 8 June 2023 and 7 June 2023 respectively. The Valuer and the relevant asset appraisers have confirmed that they have no existing or anticipated interest relationship with the valuation subject mentioned in the Valuation Report and they do not have any existing or anticipated interest relationship with the relevant parties involved, and have no bias towards the relevant parties.

No.	Name of the subsidiary	Principal business	Percentage of equity interest attributable to the Target Company
1.	北中清潔能源投資(天津)有限公司 (Beizhong Clean Energy Investment (Tianjin) Company Limited*)	Investment platform	100%
2.	蔚縣北控新能源開發有限公司 (Yuxian County Beikong New Energy Development Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
3.	河南旭光商貿有限公司 (Henan Xuguang Commerce Co., Ltd.*)	Investment platform	100%
4.	曲陽綠谷能源科技有限公司 (Quyang Lvgu Energy Technologies Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
5.	山西欣合眾新能源有限公司 (Shanxi Xinhezhong New Energy Company Limited*)	Investment platform	100%
6.	巢湖睿閣光伏發電有限公司 (Chaohu Ruige Photovoltaic Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
7.	濟南中晟新能源開發有限公司 (Jinan Zhongcheng New Energy Development Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
8.	鉛山縣天宏虹輝太陽能科技有限公司 (Yanshan Tianhong Honghui Solar Power Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
9.	合肥中鑫新能源科技有限公司 (Hefei Zhongxin New Energy Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
10.	合肥中晶新能源科技有限公司 (Hefei Zhongjing New Energy Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
11.	金寨北控清潔能源電力有限公司 (Jinzhai Beikong Clean Energy Power Company Limited*)	Investment platform	100%
12.	唐山匯聯新能源發電有限公司 (Tangshan Huilian New Energy Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
13.	瑞昌台達新能源投資有限公司 (Ruichang Taida New Energy Investment Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
14.	張家口萬全區光晨新能源有限公司 (Zhangjiakou Wanquan Guangchen New Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%

No.	Name of the subsidiary	Principal business	Percentage of equity interest attributable to the Target Company
15.	盧江東升太陽能開發有限公司 (Lujiang Dongsheng Solar Energy Development Co. Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
16.	寬城埃菲生太陽能發電有限公司 (Kuancheng Aifeisheng Photovoltaic Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
17.	邢台萬陽新能源開發有限公司 (Xingtai Wanyang New Energy Development Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
18.	榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
19.	北控清潔能源(包頭)電力有限公司 (Beikong Clean Energy (Baotou) Electric Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
20.	靖邊縣東投能源有限公司 (Jingbian Dongtou Energy Corporation Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
21.	靈璧晨陽新能源發電有限公司 (Lingbi Chenyang New Energy Power Generation Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
22.	貴州安龍鑫光能源有限公司 (Guizhou Anlong Xinguang Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
23.	圍場滿族蒙古族自治縣中能光伏發電有限公司 (Weichang Manzu Mongolian Autonomous County Zhongneng Photovoltaic Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
24.	大理瑞德興陽新能源科技有限公司 (Dali Ruide Xingyang New Energy Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
25.	河北富桃園農業科技有限公司 (Hebei Futaoyuan Agricultural Technology Company Limited*)	Investment platform	100%
26.	普安縣瑞輝新能源開發有限公司 (Puan County Ruihui New Energy Development Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
27.	廣宗縣富平光伏發電有限公司 (Guangzong County Fuping Photovoltaic Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%

No.	Name of the subsidiary	Principal business	Percentage of equity interest attributable to the Target Company
28.	通榆縣天宏虹輝太陽能發電科技有限公司 (Tongyu County Tianhonghonghui Solar Power Generation Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
29.	河北賽仙斛農業科技有限公司 (Hebei Saixianhu Agricultural Technology Co. Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
30.	寧夏錦繡龍騰新能源有限公司 (Ningxia Jinxiulongteng New Energy Co. Ltd.*)	Investment platform	100%
31.	南京益典弘新能源有限公司 (Nanjing Yidianhong New Energy Co. Ltd.*)	Investment platform	100%
32.	南昌縣綠川新能源有限公司 (Nanchang County Lvchuan New Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
33.	壽陽北控光伏發電有限公司 (Shouyang Beikong Photovoltaic Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
34.	固陽縣北清新能源有限公司 (Guyang County Beiqing New Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
35.	天津寧欣節能環保科技有限公司 (Tianjin Ningxin Energy Conservation and Environmental Protection Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
36.	南京競弘新能源有限公司 (Nanjing Jinghong New Energy Co. Ltd.*)	Investment platform	100%
37.	樺甸北控新能源發展有限公司 (Huadian Beikong New Energy Development Company Limited*)	Investment platform	100%
38.	台山市晶科電力有限公司 (Taishan Jingke Electric Company Limited*)	Investment platform	100%
39.	融水縣融能電力科技有限責任公司 (Rongshui County Rongneng Electric Technology Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
40.	河南北控景泰清潔能源有限公司 (Henan Beikong Jingtai Clean Energy Company Limited*)	Investment platform	95%

No.	Name of the subsidiary	Principal business	Percentage of equity interest attributable to the Target Company
41.	西藏嘉天新能源投資開發有限公司 (Tibet Jiatian New Energy Investment and Development Company Limited*)	Construction and operation of photovoltaic power station infrastructure	80%
42.	河南北控潤景清潔能源有限公司 (Henan Beikong Runjing Clean Energy Company Limited*)	Investment platform	70%
43.	長嶺北控光伏發電有限公司 (Changling Beikong Photovoltaic Power Generation Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
44.	青海山高綠陽新能源有限公司 (Qinghai Shangaolvyang New Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
45.	河南北控睿風清潔能源有限公司 (Henan Beikong Ruifeng Clean Energy Company Limited*)	Investment platform	65%
46.	金杰新能源股份有限公司 (Jinjie New Energy Co., Ltd*)	Construction and operation of wind power station infrastructure	99%
47.	武鄉縣盛武風力發電有限公司 (Wuxiang County Shengwu Wind Power Generation Company Limited*)	Construction and operation of wind power station infrastructure	100%
48.	開平市晶科電力有限公司 (Kaiping Jingke Power Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
49.	沁源縣聯鴻新能源有限公司 (Qinyuan County Lianhong New Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
50.	中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyejinxiu New Energy Co. Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
51.	金寨金葉光伏科技有限公司 (Jinzhai Jinye Photovoltaic Technology Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
52.	普安縣中弘新能源有限公司 (Puan County Zhonghong New Energy Co.Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
53.	興義市中弘新能源有限公司 (Xingyi Zhonghong New Energy Co. Ltd.*)	Construction and operation of photovoltaic power station infrastructure	100%
54.	安陽永歌農業有限公司 (Anyang Yongge Agriculture Co., Ltd*)	Project Platform Company	100%

No.	Name of the subsidiary	Principal business	Percentage of equity interest attributable to the Target Company
55.	安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
56.	淇縣中光太陽能有限公司 (Qi County Solar Power Limited*)	Construction and operation of photovoltaic power station infrastructure	100%
57.	武鄉北清電力智慧能源有限公司 (Wuxiang Beiqing Electric Power Smart Energy Co., Ltd.*)	Construction and operation of photovoltaic power station infrastructure	95%
58.	包頭市金源新能源發展有限責任公司 (Baotou City Jinyuan New Energy Development Company Limited*)	Construction and operation of wind power station infrastructure	99%
59.	金寨綠能新能源開發有限公司 (Jinzhai Green Energy New Energy Development Company Limited*)	Investment platform	100%
60.	文昌北清清潔能源開發有限公司 (Wenchang Beiqing Clean Energy Development Company Limited*)	Investment platform	70%
61.	文昌北文清潔能源開發有限公司 (Wenchang Beiwen Clean Energy Development Co., Ltd*)	Investment platform	70%

24 October 2023

The Board of Directors
Shandong Hi-Speed Holdings Group Limited
38th Floor, The Centre
99 Queen's Road Central, Central
Hong Kong

The Board of Directors
Shandong Hi-Speed New Energy Group Limited
38th Floor, The Centre
99 Queen's Road Central, Central
Hong Kong

Dear Sirs,

Shandong Hi-Speed Holdings Group Limited ("SDHG")
Shandong Hi-Speed New Energy Group Limited ("SHNE")

Report from the reporting accountants in relation on the discounted cash flow forecast in connection with the asset appraisal report

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the asset appraisal report dated 7 September 2023 prepared by 北京國友大正資產評估有限公司 (China Faith Appraisers Co., Ltd.*) in respect of the valuation of the entire equity interest of 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*) (the "**Target Company**") as at 30 June 2023. The valuation was based on the Forecast which would constitute a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Responsibilities of the SDHG Directors and the SHNE Directors

Each of the SDHG Directors and the SHNE Directors are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of each of the SDHG Directors and the SHNE Directors. The Assumptions are set out in the section headed "Profit forecast requirements under the Listing Rules – Assumptions" of the joint announcement (the "**Announcement**") of SDHG and SHNE dated 24 October 2023.

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the SDHG Directors and the SHNE Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the SDHG Directors and the SHNE Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the SDHG Directors and the SHNE Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Company. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the SDHG Directors and the SHNE Directors as set out in the Announcement.

Ernst & Young
Certified Public Accountants
Hong Kong

* *For identification purpose.*

BALLAS CAPITAL
A subsidiary of Crosby

5/F, Capital Centre
151 Gloucester Road
Wan Chai
Hong Kong

24 October 2023

The Board of Directors
Shandong Hi-Speed Holdings Group Limited
38th Floor, The Centre
99 Queen's Road Central, Central
Hong Kong

The Board of Directors
Shandong Hi-Speed New Energy Group Limited
38th Floor, The Centre
99 Queen's Road Central, Central
Hong Kong

Dear Sir or Madam,

We refer to the valuation report dated 7 September 2023 (the "**Valuation Report**") prepared by 北京國友大正資產評估有限公司 (China Faith Appraisers Co., Ltd.*) (the "**Independent Valuer**") in respect of the valuation of the entire equity interest of 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*) (the "**Target Company**") as at 30 June 2023 (the "**Valuation**"). Terms used herewith in shall have the same meanings as those defined in the joint announcement of Shandong Hi-Speed Holdings Group Limited ("**SDHG**") and Shandong Hi-Speed New Energy Group Limited ("**SHNE**") dated 24 October 2023 (the "**Announcement**") in relation to the proposed capital increase by an investor in the Target Company.

We note that the Valuation has been prepared partly based on the income approach which identifies the value of the Target Company based on discounted cash flows, and such discounted cash flows (the "**Profit Forecast**") is regarded as profit forecast under Rule 14.61 of the Listing Rules.

* *For identification purposes only.*

Our responsibility is to express an opinion on the Profit Forecast and to report our opinion to you. We have performed our work to obtain reasonable assurance as to whether the SDHG Directors and the SHNE Directors have made the Profit Forecast, in the form and context in which it is made, after due and careful enquiry. Our work was limited primarily to making inquiries of the management of each of SDHG and SHNE and considering the analyses and assumptions on which the Profit Forecast is based. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the Target Company may vary from that projected in the Profit Forecast. We are not reporting on the arithmetical calculations of the Profit Forecast and the adoption of the accounting policies thereof, and our work does not constitute any valuation or fairness opinion of the Valuation. We have assumed, without independent verification, the accuracy of the parameters stated in the Profit Forecast or the Valuation Report.

We have also considered the letter addressed to the SDHG Board and the SHNE Board dated 24 October 2023 from Ernst & Young regarding the calculations upon which the Profit Forecast has been made, as set out in the Announcement.

Based on the foregoing and without giving any opinion of the reasonableness of the valuation methods, bases and assumptions applied in the Profit Forecast by the Independent Valuer, for which the Independent Valuer, SDHG and SHNE are responsible, we are satisfied that the Profit Forecast included in the Valuation Report, for which you as the SDHG Directors or the SHNE Directors are solely responsible, has been made by you after due and careful enquiry.

Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau	**Heidi Cheng**
Managing Director	*Managing Director*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

Long positions in underlying shares of the Company

Name of Director	**Interests in underlying shares under equity derivatives** *(Note 1)*	**% of total issued Shares**
Mr. Chiu Kung Chik	200,000	0.02%

Notes:

1. The interests in underlying shares under equity derivatives represent the share options of the Company granted by the Company on 15 September 2020. For details, please refer to the section headed "SHARE OPTION SCHEME" of the interim report of the Company published on 25 September 2023.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company; or (iii) entered in the register required to be kept under Section 352 of the SFO.

(b) Substantial Shareholders' and other persons' interests in shares and underlying shares

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors and chief executives of the Company as disclosed above, Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Long position in the shares and/or underlying shares of the Company

Name of shareholders	Long/Short Position	Capacity in which shares are held	Number of shares held *(Note 1)*	Approximate percentage of the Company's total issued shares *(Note 2)*
SDHS Group *(Note 3)*	Long Position	Interest of controlled corporation	976,080,784	43.45%
SDHG *(Note 3)*	Long Position	Beneficial owner	976,080,784	43.45%
Beijing Enterprises Group Company Limited ("**BE Group**") *(Note 4)*	Long Position	Interest of controlled corporation	405,063,291	18.03%
Beijing Enterprises Holdings Limited ("**BEHL**") *(Note 4)*	Long Position	Interest of controlled corporation	405,063,291	18.03%
Beijing Enterprises Water Group Limited ("**BEWG**") *(Note 4)*	Long Position	Interest of controlled corporation	405,063,291	18.03%
CITIC Securities Company Limited *(Notes 5(i) and (ii))*	Long Position	Interest of controlled corporation	303,797,468	13.52%

Name of shareholders	Long/Short Position	Capacity in which shares are held	Number of shares held *(Note 1)*	Approximate percentage of the Company's total issued shares *(Note 2)*
Citron PE Holdings Limited *(Note 5(i))*	Long Position	Interest of controlled corporation	151,898,734	6.76%
Citron PE Associates II, L.P. *(Note 5(i)*	Long Position	Interest of controlled corporation	151,898,734	6.76%
CPEChina Fund II, L.P. *(Note 5(i))*	Long Position	Interest held jointly with another person	151,898,734	6.76%
CPEChina Fund IIA, L.P. *(Note 5(i))*	Long Position	Interest held jointly with another person	151,898,734	6.76%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*) ("**CITIC Private Equity Funds**") *(Note 5(ii))*	Long Position	Interest of controlled corporation	151,898,734	6.76%
北京宥德投資管理中心(有限合夥)(Beijing Youde Investment Management Centre (Limited Partnership)*) ("**Beijing Youde Investment**") *(Note 5(ii))*	Long Position	Interest of controlled corporation	151,898,734	6.76%
北京信聿投資中心(有限合夥)(Beijing Xinyu Investment Centre (Limited Partnership)*) ("**Beijing Xinyu Investment**") *(Note 5(ii))*	Long Position	Interest of controlled corporation	151,898,734	6.76%

Notes:

1. Number of shares held by relevant shareholders were adjusted upon share consolidation of the Company effective from 26 June 2023, where every fifty (50) issued ordinary shares of the Company of par value of HK$0.001 each in the share capital of the Company were consolidated into one (1) consolidated ordinary share of the Company of par value of HK$0.05 each.

2. The approximate percentage was calculated on the basis of 2,246,588,726 shares of the Company in issue as at the Latest Practicable Date.

3. SDHS Group is deemed to be interested in an aggregate of 976,080,784 shares of the Company as a result of its indirect holding of such shares through the following entities:

Name	**Long/Short position**	**Number of Shares held**
SDHG	Long position	976,080,784
Shandong International (Hong Kong) Limited	Long position	976,080,784
山東省農村經濟開發投資公司 (Shandong Rural Economic Development and Investment Company Limited*)	Long position	976,080,784

SDHG, a company listed on the Main Board of the Stock Exchange (Stock Code: 412), beneficially holds 976,080,784 shares of the Company. SDHG is directly held as to approximately 22.68% by SDHS Group and approximately 20.77% by Shandong International (Hong Kong) Limited. Shandong International (Hong Kong) Limited is wholly owned by Shandong Rural Economic Development and Investment Company Limited. Shandong Rural Economic Development and Investment Company Limited is wholly-owned by SDHS Group.

4. BE Group is deemed to be interested in an aggregate of 405,063,291 shares of the Company as a result of its indirect holding of such shares through the following entities:

Name	**Long/Short position**	**Number of Shares held**
Fast Top Investment Limited ("**Fast Top**")	Long position	405,063,291
BEWG	Long position	405,063,291
Beijing Enterprises Environmental Construction Limited ("**BE Environmental**")	Long position	405,063,291
BEHL	Long position	405,063,291
Beijing Enterprises Group (BVI) Company Limited ("**BE BVI**")	Long position	405,063,291

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 405,063,291 shares of the Company. BEWG is directly held as to approximately 41.03% by BE Environmental, approximately 0.42% by Beijing Holdings Limited ("**BHL**") and approximately 0.10% by BEHL. The remaining shares of BEWG are held by public shareholders. BE Environmental is a wholly-owned subsidiary of BEHL, which is deemed to be interested in approximately 62.05% by BE BVI (by itself and through its subsidiaries) and approximately 0.36% by BHL. The remaining shares of BEHL are held by public shareholders. Both BE BVI and BHL are wholly-owned by BE Group.

5. CITIC Securities Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange) is deemed to be interested in an aggregate of 303,797,468 long position in the shares of the Company as a result of its indirect holding of such shares through the following entities:

(i) Name	Long/Short position	Number of Shares held
CTSL Green Power Investment Limited ("**CTSL Green Power**")	Long position	151,898,734
CPEChina Fund II, L.P	Long position	151,898,734
CPEChina Fund IIA, L.P.	Long position	151,898,734
Citron PE Associates II, L.P	Long position	151,898,734
Citron PE Funds II Limited	Long position	151,898,734
Citron PE Holdings Limited	Long position	151,898,734
CLSA Global Investments Management Limited ("**CLSA Global**")	Long position	151,898,734
CITIC Securities International Company Limited ("**CITIC Securities International**")	Long position	151,898,734

CTSL Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 151,898,734 shares of the Company. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is Citron PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of Citron PE Associates II, L.P. is Citron PE Funds II Limited. Citron PE Funds II Limited is wholly-owned by Citron PE Holdings Limited, which is owned as to 35% by CLSA Global. CLSA Global is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited.

(ii) Name	Long/Short position	Number of Shares held
CTSL New Energy Investment Limited ("**CTSL New Energy**")	Long position	151,898,734
Beijing Xinyu Investment	Long position	151,898,734
Beijing Youde Investment	Long position	151,898,734
上海磐諾企業管理服務有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) ("**Shanghai Pannuo**")	Long position	151,898,734
CITIC Private Equity Funds	Long position	151,898,734

CTSL New Energy, a wholly-owned subsidiary of Beijing Xinyu Investment, beneficially holds 151,898,734 shares of the Company. Beijing Xinyu Investment is a limited partnership registered under the laws of the PRC. The general partner of Beijing Xinyu Investment is Beijing Youde Investment, a limited partnership registered under the laws of the PRC whose general partner is Shanghai Pannuo, a limited liability company incorporated in the PRC. Shanghai Pannuo is wholly-owned by CITIC Private Equity Funds, which is in turn owned as to 35% by CITIC Securities Company Limited.

Save as disclosed above, as at the Latest Practicable Date, based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors and chief executives of the Company as disclosed above, there were no Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered, or proposed to enter, into any service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the date of this circular and up to and including the Latest Practicable Date and which are, or may be, material:

(i) the finance lease agreement dated 19 November 2021 entered into between 安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Ltd.*), as lessee, and 國銀金融租賃股份有限公司 (China Development Bank Financial Leasing Co., Ltd.*), as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 100MW photovoltaic power plant located in 安陽縣 (Anyang County*), Henan Province, the PRC, for a total consideration of RMB650,000,000;

(ii) the agreement dated 4 January 2022 entered into between Beiqing Smart as lessee and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) ("**BEWCI**") as lessor in relation to the leasing of units 201 and 302 and four car parking spaces in BEWG Building, an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC, the monthly rents of the said units 201 and 302 (inclusive of management fee and other service charges) and four car parking spaces are RMB745,187.04 and RMB2,000, respectively;

(iii) the agreement dated 4 January 2022 entered into between 山高熱力集團有限公司 (Shandong Hi-Speed Thermal Group Company Limited*) (formerly known as 北控清潔熱力有限公司 (BE Clean Heat Energy Company Limited*)), an indirect non-wholly owned subsidiary of the Company, as lessee and BEWCI as lessor in relation to the leasing of unit 301 of BEWG Building, an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC, the monthly rent (inclusive of management fee and other service charges) of which is RMB170,333.33;

(iv) the termination agreement dated 25 February 2022 and entered into between 天津富清投資有限公司 (Tianjin Fuqing Investment Co., Ltd.*), Beiqing Smart, all other shareholders of Beiqing Smart, 王建裕先生 (Mr. Wang Jianyu*), 王建凱先生 (Mr. Wang Jiankai*) and 中電電機股份有限公司 (SEC Electric Machinery Co., Ltd.*), pursuant to which the parties have mutually agreed to terminate the proposed reorganisation;

(v) the subscription agreement dated 4 March 2022 entered into between the Company and Profit Plan as the subscriber in relation to the subscription for 48,804,039,247 shares of the Company at the subscription price of HK$0.096 per subscription share for the total consideration of HK$4,685,187,768;

(vi) the equity transfer agreement dated 20 December 2022 entered into between 中電建河南電力有限公司 (China Power Construction Henan Electric Power Co., Ltd.*) ("**Vendor-1A**") and 清電綠色能源有限公司 (Qingdian Green Energy Co., Ltd.*) ("**Vendor-1B**") as vendors and 天津富驛企業管理諮詢有限公司 (Tianjin Fuyi Enterprise Management Consulting Co., Ltd.*) (the "**Purchaser**") as purchaser in relation to the sale and purchase of 80% and 20% of the equity interest in 商丘寧電新能源有限公司 (Shangqiu Ningdian New Energy Co., Ltd.*) from Vendor-1A to the Purchaser and from Vendor-1B to the Purchaser, respectively, at the total consideration of RMB143,567,600;

(vii) the two equity transfer agreements both dated 20 December 2022 both entered into between 河南清電新能源有限公司 (Henan Qingdian New Energy Co., Ltd.*) ("**Vendor-2**") as vendor and the Purchaser as purchaser in relation to (i) the sale and purchase of entire equity interest in 蘭考金風清電新能源有限公司 (Lankao Gold Wind Power New Energy Co., Ltd.*) from Vendor-2 to the Purchaser at the consideration of RMB55,928,800; and (ii) the sale and purchase of entire equity interest in 沈丘潁電新能源有限公司(Shenqiu Yingdian New Energy Co., Ltd.*) from Vendor-2 to the Purchaser at the consideration of RMB43,226,300, respectively; and

(viii) the Capital Increase Agreement, details of which are disclosed in the section headed "The Capital Increase Agreement" in the letter from the Board in this circular.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group was not engaged in any material litigation or arbitration proceedings nor is any material litigation or claim pending or threatened against it.

7. EXPERTS AND CONSENTS

(a) Qualification of Expert

Set out below are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
China Faith Appraisers Co., Ltd.	Independent professional valuer
Ernst & Young	Certified Public Accountants
Ballas Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

(b) Interests of Expert

As at the Latest Practicable Date, the above experts (a) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (b) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Consent

Each of the Valuer, EY and Ballas Capital has given and not withdrawn their respective written consents to the publication of this circular with the inclusion of their respective report and/or opinion and all references to their respective names in the form and context in which they are included.

8. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of the Group.

9. GENERAL

(a) The registered address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at 38th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

(c) The Hong Kong share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The company secretary of the Company is Mr. Cheung Chin Wa. Mr. Cheung graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in Accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales and he currently holds the Hong Kong Institute of Certified Public Accountants Practising Certificate. Mr. Cheung Chin Wa has worked for an international assurance firm for over 10 years.

(e) In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.

10. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.shneg.com.hk) for a period of 14 days from the date of this circular:

(a) the Capital Increase Agreement;

(b) the financial information of the Target Group, the text of which is set out in Appendix II of this circular;

(c) the report on the Unaudited Pro-Forma Financial Information of the Group, the text of which is set out in Appendix III of this circular;

(d) the letters on profit forecast issued by EY and Ballas Capital, the texts of which are set out in Appendices VI and VII to this circular;

(e) the Valuation Report; and

(f) the written consent referred to in the section headed "Experts and Consents" of this Appendix.

山高新能源集團有限公司
SHANDONG HI-SPEED NEW ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Shandong Hi-Speed New Energy Group Limited (the "**Company**") will be held at 38th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 30 November 2023 at 9:30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the capital increase agreement (the "**Capital Increase Agreement**") dated 24 October 2023 entered into among 天津北清電力智慧能源有限公司 (Tianjin Beiqing Smart Energy Company Limited*), 山東高速集團有限公司 (Shandong Hi-Speed Group Co. Ltd.), the Company, 寧波梅山保稅港區創澤股權投資合夥企業(有限合夥) (Ningbo Meishan Bonded Port Zone Chuangze Equity Investment Partnership (Limited Partnership)*) (the "**Investor**") and 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*) (the "**Target Company**") in relation to the making of cash contribution of RMB5,000,000,000 to the Target Company, of which RMB3,441,580,300 and RMB1,558,419,700 are to increase its registered capital and capital reserve respectively by the Investor pursuant to the Capital Increase Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with or to give effect to the Capital Increase Agreement and the transactions contemplated thereunder and to agree to such variations, amendments or waiver of the terms of the Capital Increase Agreement or matters relating thereto as he/she may in his/her absolute discretion consider necessary or desirable."

By Order of the Board
Shandong Hi-Speed New Energy Group Limited
Wang Xiaodong
Chairman

Hong Kong, 15 November 2023

Notes:

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

3. To be valid, the instrument appointing a proxy and (if required by the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.

5. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

7. The transfer books and register of members of the Company will be closed on Thursday, 30 November 2023, during the day no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 November 2023.

8. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 15 November 2023.

9. If tropical cyclone warning signal no. 8 or above, or a black rainstorm warning or "extreme conditions" caused by super typhoon is in effect at any time after 8:30 a.m. on Thursday, 30 November 2023, the EGM will be postponed and further announcement for details of alternative meeting arrangements will be made. The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.