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JOINT ANNOUNCEMENT

**VERY SUBSTANTIAL
DISPOSAL
IN RELATION TO
THE CAPITAL INCREASE
AGREEMENT**

**DISCLOSEABLE
TRANSACTION
IN RELATION TO
THE CAPITAL INCREASE
AGREEMENT**

THE CAPITAL INCREASE AGREEMENT

Each of the SDHG Board and the SHNE Board is pleased to announce that, on 24 October 2023 (after trading hours), Beijing Smart, SDHS Group, SHNE, the Investor and the Target Company, an indirect non-wholly owned subsidiary of SDHG and an indirect wholly-owned subsidiary of SHNE, 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 Beijing Smart and approximately 44.46% by the Investor. The Target Company will continue to be accounted as a subsidiary of both SDHG and SHNE.

The Option

Pursuant to the Capital Increase Agreement, SHNE, Beijing Smart or their designated third party 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.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Increase Agreement

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

SDHG

As one or more of the applicable percentage ratios in respect of the said deemed disposal exceed 5% and all of the applicable ratios are less than 25% for SDHG, the Capital Increase Agreement constitutes a discloseable transaction for SDHG and SDHG is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

SHNE

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 SHNE and SHNE 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 SHNE and Beijing 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 SHNE and/or Beijing 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 each of SDHG and SHNE.

EGM

The EGM will be convened for the SHNE Shareholders to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the SHNE Directors and having made all reasonable enquiries, none of the SHNE 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.

A circular containing, among other things, (i) further details of the Capital Increase Agreement and the transactions contemplated thereunder; (ii) the financial information of the SHNE Group; (iii) other information as required by the Listing Rules; and (iv) the notice of the EGM with a form of proxy, is expected to be despatched to the SHNE Shareholders on or before 30 November 2023, as additional time will be required to finalise certain information to be included in the circular.

Completion is subject to fulfilment of the Conditions Precedent as set out in the Capital Increase Agreement including among others, the approval of the SHNE Shareholders at the EGM, and therefore the transactions contemplated thereunder may or may not proceed. The SDHG Shareholders and the SHNE Shareholders and respective potential investors of SDHG and SHNE are reminded to exercise caution when dealing in the shares in SDHG and SHNE respectively, and if they are in doubt about their positions, they are recommended to consult their professional adviser(s).

THE CAPITAL INCREASE AGREEMENT

Each of the SDHG Board and the SHNE Board is pleased to announce that, on 24 October 2023 (after trading hours), Beiqing Smart, SDHS Group, SHNE, the Investor and the Target Company, an indirect non-wholly owned subsidiary of SDHG and an indirect wholly-owned subsidiary of SHNE, 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.

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) SHNE;
- (iv) the Investor; and
- (v) the Target Company.

Capital Increase and Consideration

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.

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.

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 defined below) has been completed) as at 30 June 2023 pursuant to the Valuation by the Valuer.

Conditions Precedent

The Completion shall 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 SHNE 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.

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 SDHG and SHNE and the financial results of the Target Group will continue to be consolidated into the financial statements of the SDHG Group and the SHNE Group respectively.

The following table illustrates the changes in the registered capital and the shareholding structure of the Target Company as at the date of this joint announcement and immediately following the Completion.

Shareholders of the Target Company	As at the date of this joint announcement		Immediately following the Completion	
	Subscribed registered capital (RMB)	Approx. %	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, SHNE, 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 SHNE, 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 SHNE, 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 SHNE 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, SHNE (together with SDHG) 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 Beijing 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.

SHNE (together with SDHG) 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 SHNE Group for repayment of existing external short-terms interest-bearing liabilities of the Target Company, SHNE and SHNE’s subsidiaries.

The SDHG Directors and SHNE 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 each of SDHG and SHNE.

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

FINANCIAL IMPLICATIONS

As the Target Company will remain as a subsidiary of the SDHG 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 SDHG Group, the expected gain arising from the deemed disposal to be recognised by the SDHG Group in its consolidated statement of changes in equity attributable to equity holders of the SDHG Group upon Completion are estimated at approximately RMB46,979,000 under the HKGAAP. The basis for the calculation of the above expected gain arising from the deemed disposal attributable to the equity holders of the SDHG Group 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 multiplied by approximately 43.45%, being the shareholding of SDHG in SHNE. The above calculation and accounting treatment are subject to review by the auditors of the SDHG Group. The actual financial effect on the SDHG Group arising from the partial disposal to be recorded in the SDHG 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.

As the Target Company will remain as a subsidiary of the SHNE Group after the Completion, no gain or loss arising from the deemed disposal will be recognised in consolidated income statement under the HKGAAP. Based on the existing information available to the SHNE Group, the expected gain arising from the deemed disposal to be recognised by the SHNE Group in its consolidated statement of changes in equity attributable to equity holders of the SHNE Group upon Completion are estimated at approximately RMB108,123,000 under the HKGAAP. The basis for the calculation of 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 SHNE Group. The actual financial effect on the SHNE Group arising from the partial disposal to be recorded in the SHNE 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.

INFORMATION ON THE SDHG GROUP AND SHNE GROUP

SDHG is an investment holding company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 412). The principal activity of SDHG is investment holding. The SDHG Group is principally engaged in industrial investment, standard investment business, non-standard investment business and licensed financial services.

SHNE 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 SHNE is investment holding. The SHNE 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 date of this joint announcement, Beijing Smart is a limited liability company established in the PRC, an indirect non-wholly owned subsidiary of SDHG and an indirect wholly-owned subsidiary of SHNE. 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 date of this joint announcement, 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 SDHG Directors and the SHNE 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 SDHG Directors and the SHNE 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 date of this joint announcement, the Target Company is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of SHNE. 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 date of this joint announcement are set out in Appendix I to this joint announcement.

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 <i>RMB'000</i> (<i>approx.</i>)	For the year ended 31 December 2021 <i>RMB'000</i> (<i>approx.</i>)
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, among others, the asset-based approach on the Target Company and the income approach (including dividend discount approach and cash flow discount approach) on certain subsidiaries 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:

(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 jointly engaged by SDHG and SHNE 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 SDHG and SHNE with respect of the Profit Forecast, has reviewed the Profit Forecast and has discussed with the respective management of SDHG and SHNE the principal assumptions upon which the Profit Forecast was based. Ballas Capital has also considered the report from EY addressed to both the SDHG Board and the SHNE 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 SDHG Directors and the SHNE Directors after due and careful enquiry.

The report from EY and the letter from Ballas Capital are included in appendix II and appendix III to this joint announcement respectively for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

Experts and Consents

The qualifications of the experts who have given opinions or advice in this joint announcement are as follows:

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)

As at the date of this joint announcement, the above experts (a) did not have any shareholding, directly or indirectly, in any member of the SDHG Group and the SHNE 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 SDHG Group and the SHNE 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 SDHG Group and the SHNE Group, or were proposed to be acquired, or disposed of by, or leased to any member of the SDHG Group and the SHNE Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the SDHG Group and the SHNE Group were made up.

Each of the Valuer, EY and Ballas Capital has given and not withdrawn their respective written consents to the publication of this joint announcement 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.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Increase Agreement

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

SDHG

As one or more of the applicable percentage ratios in respect of the said deemed disposal exceed 5% and all of the applicable ratios are less than 25% for SDHG, the Capital Increase Agreement constitutes a discloseable transaction for SDHG and SDHG is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

SHNE

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 SHNE and SHNE 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 SHNE 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 SHNE 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 each of SDHG and SHNE.

EGM

The EGM will be convened for the SHNE Shareholders to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the SHNE Directors and having made all reasonable enquiries, none of the SHNE 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.

A circular containing, among other things, (i) further details of the Capital Increase Agreement and the transactions contemplated thereunder; (ii) the financial information of the SHNE Group; (iii) other information as required by the Listing Rules; and (iv) the notice of the EGM with a form of proxy, is expected to be despatched to the SHNE Shareholders on or before 30 November 2023, as additional time will be required to finalise certain information to be included in the circular.

Completion is subject to fulfilment of the Conditions Precedent as set out in the Capital Increase Agreement including among others, the approval of the SHNE Shareholders at the EGM, and therefore the transactions contemplated thereunder may or may not proceed. The SDHG Shareholders and the SHNE Shareholders and respective potential investors of SDHG and SHNE are reminded to exercise caution when dealing in the shares in SDHG and SHNE respectively, and if they are in doubt about their positions, they are recommended to consult their professional adviser(s).

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the same meaning ascribed thereto it 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 non-wholly owned subsidiary of SDHG and an indirect wholly-owned subsidiary of SHNE
“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, SHNE, the Investor and the Target Company in relation to the Capital Increase
“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
“EGM”	the extraordinary general meeting of SHNE to be convened and held 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) 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, 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 this joint announcement

“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
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the SDHG Group, the SHNE Group, the SDHG Directors, the SHNE Directors, the chief executives, the controlling shareholders, the substantial shareholders of each of SDHG and SHNE or their subsidiaries, and their respective 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)”*)
“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 SHNE and Beijing 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”	Beijing 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 SHNE
“SDHG Board”	the board of directors of SDHG
“SDHG Directors”	the directors of SDHG
“SDHG Group”	SDHG and its subsidiaries
“SDHG Shareholder(s)”	the registered holder(s) of ordinary share(s) of SDHG
“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 SDHG and SHNE
“SDHS Parties”	the Target Company, Beiqing Smart, SHNE 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 this joint announcement
“SHNE”	Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1250)
“SHNE Board”	the board of directors of SHNE
“SHNE Directors”	the directors of SHNE
“SHNE Group”	SHNE and its subsidiaries
“SHNE Parties”	the Target Company, Beiqing Smart and SHNE
“SHNE Shareholder(s)”	the registered holder(s) of ordinary share(s) of SHNE

“Specific Event(s)”	the specific event(s) as set out in the Capital Increase Agreement, which SHNE, 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 non-wholly owned subsidiary of SDHG and an indirect wholly-owned subsidiary of SHNE
“Target Group”	the Target Company and its subsidiaries after the completion of the Restructuring
“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
“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

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

By Order of the SDHG Board
Shandong Hi-Speed Holdings Group Limited
Wang Xiaodong
Chairman

Hong Kong, 24 October 2023

For the purpose of this joint announcement, 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.

As at the date of this joint announcement, the SHNE Board comprises Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Mr. Wang Wenbo, Mr. Sun Qingwei, Ms. Liao Jianrong, Mr. Li Li, Mr. He Yongbing and Mr. Wang Meng as executive directors; and Professor Qin Si Zhao, Mr. Victor Huang, Mr. Yang Xiangliang and Mr. Chiu Kung Chik as independent non-executive directors.

As at the date of this joint announcement, the SDHG Board comprises Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Ms. Liao Jianrong, Mr. Liu Zhijie and Mr. Liu Yao as executive directors; Mr. Liang Zhanhai, Mr. Chen Di and Mr. Wang Wenbo as non-executive directors; and Mr. Guan Huanfei, Mr. Chan Wai Hei, Mr. Tan Yuexin and Mr. Jonathan Jun Yan as independent non-executive directors.

* For identification purposes only.

APPENDIX I – THE LIST OF SUBSIDIARIES OF THE TARGET COMPANY UNDER THE TARGET GROUP

No.	Name of the subsidiary	Principal business
1.	北中清潔能源投資(天津)有限公司 (Beizhong Clean Energy Investment (Tianjin) Company Limited*)	Investment platform
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
3.	河南旭光商貿有限公司 (Henan Xuguang Commerce Co., Ltd.*)	Investment platform
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
5.	山西欣合眾新能源有限公司 (Shanxi Xinhezhong New Energy Company Limited*)	Investment platform
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
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
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
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
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
11.	金寨北控清潔能源電力有限公司 (Jinzhai Beikong Clean Energy Power Company Limited*)	Investment platform

No.	Name of the subsidiary	Principal business
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
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
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
15.	廬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
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
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
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
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
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
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
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
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

No.	Name of the subsidiary	Principal business
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
25.	河北富桃園農業科技有限公司 (Hebei Futaoyuan Agricultural Technology Company Limited*)	Investment platform
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
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
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
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
30.	寧夏錦繡龍騰新能源有限公司 (Ningxia Jinxiulongteng New Energy Co. Ltd.*)	Investment platform
31.	南京益典弘新能源有限公司 (Nanjing Yidianhong New Energy Co. Ltd.*)	Investment platform
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
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
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
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

No.	Name of the subsidiary	Principal business
36.	南京競弘新能源有限公司 (Nanjing Jinghong New Energy Co. Ltd.*)	Investment platform
37.	樺甸北控新能源發展有限公司 (Huadian Beikong New Energy Development Company Limited*)	Investment platform
38.	台山市晶科電力有限公司 (Taishan Jingke Electric Company Limited*)	Investment platform
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
40.	河南北控景泰清潔能源有限公司 (Henan Beikong Jingtai Clean Energy Company Limited*)	Investment platform
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
42.	河南北控潤景清潔能源有限公司 (Henan Beikong Runjing Clean Energy Company Limited*)	Investment platform
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
44.	青海山高綠陽新能源有限公司 (Qinghai Shangaolvayang New Energy Company Limited*)	Construction and operation of photovoltaic power station infrastructure
45.	河南北控睿風清潔能源有限公司 (Henan Beikong Ruifeng Clean Energy Company Limited*)	Investment platform
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
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
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

No.	Name of the subsidiary	Principal business
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
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
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
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
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
54.	安陽永歌農業有限公司 (Anyang Yongge Agriculture Co., Ltd*)	Project Platform 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
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
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
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
59.	金寨綠能新能源開發有限公司 (Jinzhai Green Energy New Energy Development Company Limited*)	Investment platform
60.	文昌北清清潔能源開發有限公司 (Wenchang Beiqing Clean Energy Development Company Limited*)	Investment platform
61.	文昌北文清潔能源開發有限公司 (Wenchang Beiwen Clean Energy Development Co., Ltd*)	Investment platform

APPENDIX II – INDEPENDENT REPORTING ACCOUNTANTS’ REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION

The following is the text of a report received from the independent reporting accountants of SDHG and SHNE, Ernst & Young, for inclusion in this joint announcement.

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 China Faith Appraisers Co., Ltd.* (北京國友大正資產評估有限公司) in respect of the valuation of the entire equity interest of Tianjin Clean Energy Investment Company Limited* (天津富歡企業管理諮詢有限公司) (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.*

APPENDIX III – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROFIT FORECAST

The following is the full text of the letter from Ballas Capital Limited for inclusion in this joint announcement.



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
Managing Director

Heidi Cheng
Managing Director