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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- 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 for the Year 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).

- EBITDA amounted to approximately HK$3,666.1 million (2021: approximately HK$2,941.9 million), representing an increase of approximately 25% as compared to the corresponding period of the last year.

- Cash and cash equivalents of the Group amounted to approximately HK$3,637.3 million, representing an increase of approximately HK$2,496.5 million as compared to the corresponding period of the last year. The Group have sufficient financial reserves to provide for business development.

- The Group recorded revenue of approximately HK$5,296.2 million (2021: approximately HK$6,023.4 million), 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 revenue of the construction and related service as a result of the Group's business structure optimization; and (ii) the impact of exchange rate fluctuations. The Group's total gross profit margin for the Year was approximately 48.3%, representing an increase of approximately 5.5% from approximately 42.8% for the corresponding period of the last year.

- Basic and diluted profit per share for the Year were HK0.28 cents (2021: loss per share: HK0.62 cents) and HK0.28 cents (2021: loss per share: HK0.62 cents) respectively.

- The Board does not recommend the payment of a final dividend for the Year (2021: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shandong Hi-Speed New Energy Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 (the "**Year**") and the consolidated statement of financial position of the Group as at 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
REVENUE	2	**5,296,197**	6,023,419
Cost of sales		**(2,735,702)**	(3,446,896)
Gross profit		**2,560,495**	2,576,523
Other income and gains, net	2	**218,946**	216,894
Selling and distribution expenses		**(2,505)**	(286)
Administrative expenses		**(512,818)**	(512,073)
Other operating expenses, net		**(207,631)**	(1,081,914)
Finance costs	4	**(1,803,324)**	(1,518,742)
Share of profits of:			
Joint ventures		**4,544**	17,815
Associates		**25,759**	36,909
PROFIT/(LOSS) BEFORE TAX	3	**283,466**	(264,874)
Income tax expense	5	**(57,655)**	(23,960)
PROFIT/(LOSS) FOR THE YEAR		**225,811**	(288,834)
ATTRIBUTABLE TO:			
Equity holders of the Company		**258,236**	(321,312)
Non-controlling interests		**(32,425)**	32,478
		225,811	(288,834)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK0.28 cent**	HK(0.62) cent
Diluted		**HK0.28 cent**	HK(0.62) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**225,811**	(288,834)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
Translation of foreign operations	**(1,779,414)**	726,229
Share of other comprehensive (loss)/income of joint ventures	**(38,186)**	15,039
Share of other comprehensive (loss)/income of associates	**(87,819)**	33,238
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(1,905,419)**	774,506
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1,679,608)**	485,672
ATTRIBUTABLE TO:		
Equity holders of the Company	**(1,498,588)**	372,642
Non-controlling interests	**(181,020)**	113,030
	(1,679,608)	485,672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 HK$'000	31 December 2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**25,045,556**	27,732,405
Investment properties		**162,000**	162,000
Goodwill		**461,630**	547,837
Operating concessions		**1,622,103**	2,138,011
Operating rights		**865,883**	1,020,748
Other intangible assets		**16,054**	20,001
Investments in joint ventures		**464,693**	497,159
Investments in associates		**1,332,662**	1,129,425
Prepayments, deposits and other receivables		**3,332,845**	3,291,428
Other tax recoverables		**356,426**	585,233
Other non-current assets		**1,385,240**	1,332,003
Deferred tax assets		**397,753**	285,508
Total non-current assets		**35,442,845**	38,741,758
CURRENT ASSETS			
Inventories		**95,003**	126,520
Contract assets	*8*	**1,086,746**	1,353,953
Trade and bills receivables	*9*	**8,176,926**	10,006,793
Financial assets at fair value through profit or loss		**411,916**	581,123
Prepayments, deposits and other receivables		**2,032,773**	2,343,586
Other tax recoverables		**122,808**	352,472
Restricted cash and pledged deposits		**247,454**	227,200
Cash and cash equivalents		**3,637,264**	1,140,832
		15,810,890	16,132,479
Assets classified as held for sale		**774,530**	–
Total current assets		**16,585,420**	16,132,479

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	31 December 2022 HK$'000	31 December 2021 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	10	**1,941,813**	3,296,057
Other payables and accruals		**1,888,123**	2,363,821
Interest-bearing bank and other borrowings		**6,117,897**	10,050,832
Corporate bonds	11	**563**	1,188,385
Other current liabilities		**–**	1,577,945
Income tax payables		**213,979**	225,795
Total current liabilities		**10,162,375**	18,702,835
NET CURRENT ASSETS/(LIABILITIES)		**6,423,045**	(2,570,356)
TOTAL ASSETS LESS CURRENT LIABILITIES		**41,865,890**	36,171,402
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**24,454,824**	20,930,265
Corporate bonds	11	**526,803**	–
Other non-current liabilities		**1,555,456**	2,781,734
Deferred income		**–**	50,517
Deferred tax liabilities		**237,083**	326,832
Total non-current liabilities		**26,774,166**	24,089,348
Net assets		**15,091,724**	12,082,054
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	**112,329**	63,525
Reserves		**14,443,892**	11,186,898
		14,556,221	11,250,423
Non-controlling interests		**535,503**	831,631
Total equity		**15,091,724**	12,082,054

NOTES:

1.1 CORPORATE AND GROUP INFORMATION

Shandong Hi-Speed New Energy Group Limited (formerly known as Beijing Enterprises Clean Energy Group Limited, 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.

On 19 May 2022, Shandong Hi-Speed Holdings Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 00412)) (the "**Shandong Hi-Speed Holdings**"), a subsidiary of Shandong Hi-Speed Group Co., Ltd.*（山東高速集團有限公司）(the "**Shandong Hi-Speed Group**"), contributed additional capital of approximately HK$4.7 billion to the Company by subscription of new shares through its indirect wholly-owned subsidiary, after which it indirectly holds 43.45% of the Company's issued share capital. In the opinion of the directors, Shandong Hi-Speed Group became the ultimate holding company of the Company after the Subscription. Further details are disclosed in Note 12.

During the year, 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**").

1.2 BASIS OF PREPARATION

These financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, a financial asset at fair value through other comprehensive income and financial guarantee contracts which have been measured at fair value. Disposal assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue, other income and gains, net is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Revenue from contracts with customers		
Sale of electricity and entrusted operation services		
Photovoltaic Power Business	**2,998,391**	3,125,977
Wind Power Business	**750,676**	815,895
Entrusted operations	**220,430**	194,734
Construction and related services	**403,139**	794,381
Provision of clean heat supply services	**923,561**	1,092,432
	5,296,197	6,023,419
Other income and gains, net		
Bank interest income	**8,554**	6,928
Other interest income	**29,976**	9,687
Government grants	**35,298**	57,203
Contingent consideration adjustment arising from acquisition in prior years	**38,711**	–
Reversal of impairment of investment in an associate	**–**	53,551
Gains on bargain purchase of subsidiaries	**2,243**	13,922
Gains on disposal of subsidiaries	**682**	782
Fair value gain on financial assets at fair value through profit or loss	**10,650**	21,528
Gain on debt restructuring	**37,878**	–
Gains on remeasurement from step acquisition of a former joint venture to a subsidiary	**–**	18,855
Gains on disposal of a joint venture	**–**	3,178
Management income	**22,395**	13,827
Others	**32,559**	17,433
	218,946	216,894

3. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	2022 *HK$'000*	2021 *HK$'000*
Cost of sales of electricity and entrusted operation services	**1,536,662**	1,720,345
Cost of construction and related services	**342,739**	730,009
Cost of clean heat supply services	**856,301**	996,542
Depreciation of property, plant and equipment	**1,195,805**	1,159,238
Depreciation of right-of-use assets recognised under property, plant and equipment	**254,637**	340,230
Amortisation of operating concessions	**91,274**	127,748
Amortisation of operating rights	**34,494**	56,973
Amortisation of other intangible assets	**3,137**	3,796

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	HK$'000	*HK$'000*
Interest on interest-bearing bank loans and other borrowings	**1,291,130**	819,297
Interest on lease liabilities	**278,937**	418,009
Interest on options granted to non-controlling interests	**220,026**	205,849
Interest on corporate bonds	**24,463**	99,563
Total interest expenses on financial liabilities not at fair value through profit or loss	**1,814,556**	1,542,718
Less: Interest capitalised	**(11,232)**	(23,976)
	1,803,324	1,518,742

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Year (2021: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the Year based on the prevailing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operation of photovoltaic and wind power plants; and (ii) they have operations in certain regions of the PRC that are qualified for certain concessionary corporate income tax rates for a prescribed period of time.

	2022	2021
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the Year	**247,615**	217,448
Underprovision in prior years	**11,861**	4,058
Deferred	**(201,821)**	(197,546)
Total tax expense for the Year	**57,655**	23,960

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the Year (2021: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, for the years ended 31 December 2022 and 2021, and the number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of the basic and diluted earnings/(loss) per share amounts are based on the following data:

	2022	2021
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) for the year attributable to equity holders of the Company	**258,236**	(321,312)
Distribution related to the perpetual capital instrument	**–**	(70,267)
Profit/(loss) used in the basic and diluted earnings/(loss) per share calculations	**258,236**	(391,579)

	2022	2021
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**93,877,498,178**	63,525,397,057
Basic earnings/(loss) per share	**HK0.28 cents**	HK(0.62) cents
Diluted earnings/(loss) per share	**HK0.28 cents**	HK(0.62) cents

8. CONTRACT ASSETS

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Tariff adjustment receivables	*(a)*	**587,798**	839,064
Construction contracts	*(b)*	**456,015**	458,853
Retention money	*(b)*	**58,855**	113,638
		1,102,668	1,411,555
Less: Impairment		**(15,922)**	(57,602)
Total		**1,086,746**	1,353,953

Notes:

(a) Tariff adjustment receivables included in contract assets represented the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that are to be billed and settled upon entering into the list of national renewable energy power generation subsidies for the renewable energy power generation projects (the "**Project List**"). In the opinion of the Directors, the registration procedures of the Project List for the Group's photovoltaic and wind power plant projects are of administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any.

(b) Contract assets are initially recognised for revenue earned from construction and related services as the receipt of consideration is conditional on construction progress. Included in contract assets for construction and related services are retention receivables. Upon completion of certain milestones as agreed with customers and such being accepted by them, the amounts recognised as contract assets are reclassified to trade receivables.

9. TRADE AND BILLS RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**2,314,294**	2,261,296
Bills receivable	**38,124**	172,654
	2,352,418	2,433,950
Tariff adjustment receivables *(Note)*	**5,943,134**	7,646,618
	8,295,552	10,080,568
Less: Impairment	**(118,626)**	(73,775)
Total	**8,176,926**	10,006,793

Note: Tariff adjustment receivables included in trade receivables represent the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that have been registered into the Project List.

The Group's trading terms with its customers are mainly on credit, except for certain new customers where payment in advance is normally required. The Group generally allows credit periods of 30 days to 90 days to its customers, and generally accepts settlement of certain trade receivables by bank and commercial bills with maturity periods ranging from 90 days to 180 days.

Management seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade receivables are non-interest bearing.

The ageing analysis of trade and bills receivables (excluding tariff adjustment receivables, net of loss allowance) as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**706,278**	934,851
4 to 6 months	**322,461**	127,366
7 to 12 months	**260,807**	239,909
1 to 2 years	**390,180**	528,315
Over 2 years	**558,960**	535,936
	2,238,686	2,366,377

The ageing analysis of the tariff adjustment receivables as at the end of the reporting period, based on the revenue recognition date and net of loss allowance, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**915,705**	1,497,335
4 to 6 months	**544,856**	804,237
7 to 12 months	**992,951**	1,270,687
1 to 2 years	**1,275,165**	1,503,687
Over 2 years	**2,209,563**	2,564,470
	5,938,240	7,640,416

10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**152,310**	92,689
4 to 6 months	**145,828**	329,994
7 to 12 months	**245,366**	407,888
1 to 2 years	**285,510**	639,273
Over 2 years	**1,112,799**	1,826,213
	1,941,813	3,296,057

The trade payables are non-interest bearing. Trade and bills payables are normally settled on terms of 30 days to 180 days.

The Group's bills payable amounting to approximately HK$57,159,000 (2021: approximately HK$65,358,000) were secured by the pledged bank deposits as at 31 December 2022.

11. CORPORATE BONDS

	2022	2021
	HK$'000	*HK$'000*
Total corporate bonds	**527,366**	1,188,385
Portion classified as current liabilities	**(563)**	(1,188,385)
Non-current portion	**526,803**	–

Corporate bonds of the Group as at 31 December 2022 and 31 December 2021 comprised:

(a) On 6 December 2019, the Company issued a corporate bond with a principal amount of RMB500 million and an annual interest rate of 5.99%. On 31 December 2022, the corporate bond has been fully repaid.

(b) On 29 April 2020, the Company issued a corporate bond with a principal amount of RMB900 million and an annual interest rate of 5.50%. In April 2022, the Company partially redeemed the corporate bond with principal amount of RMB899,449,000, and the remaining principal shall be repaid on 29 April 2023, was classified as current liabilities as at 31 December 2022.

(c) Corporate bonds with an aggregate principal amount of RMB465 million were issued by a subsidiary of the Company to certain institutional investors on 20 December 2022, with interest rates ranging from 4.20% to 4.90% per annum. The corporate bonds are guaranteed by trade receivables and repayable on 30 November 2025.

12. SHARE CAPITAL

	2022 ***HK$'000***	2021 *HK$'000*
Authorised:		
Ordinary shares:		
466,637,115,100 shares of HK$0.001 each	**466,637**	466,637
Convertible preference shares:		
33,362,884,900 shares of HK$0.001 each	**33,363**	33,363
	500,000	500,000
Issued and fully paid:		
Ordinary shares:		
112,329,436,304 shares (2021: 63,525,397,057 shares) of HK$0.001 each (note)	**112,329**	63,525

Note:

On 4 March 2022, a subscription agreement was entered into between the Company and Profit Plan Global Investment Limited (an indirect wholly-owned subsidiary of Shandong Hi-Speed Holdings) (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 subscription shares at the subscription price of HK$0.096 per share for the total cash consideration, before expenses, of HK$4,685 million (the "**Subscription**"). The Subscription was completed on 19 May 2022.

13. PERPETUAL CAPITAL INSTRUMENT

	2022	2021
	HK$'000	*HK$'000*
At beginning of the Year	**–**	1,143,587
Share of profit for the Year	**–**	70,267
Distribution for the Year	**–**	(79,345)
Redemption of perpetual capital instrument during the Year	**–**	(1,134,509)
At end of the Year	**–**	–

During the year ended 31 December 2018, the Company issued a perpetual capital instrument (the "**Perpetual Capital Instrument**") with an aggregate principal amount of RMB1,000,000,000. Net proceeds after deducting issue expenses amounted to RMB997,000,000.

The Perpetual Capital Instrument confers the holders a right to receive distributions at the applicable distribution rate of 6.5% per annum, payable annually on 27 November. The distribution rate is subject to review in accordance with the terms thereof at each of the third anniversary from the date of issuance of the Perpetual Capital Instrument. The Company may, at its sole discretion, elect to defer a distribution. In the event when the Company elects to defer a distribution, the Company shall not declare or pay any dividends or reduce its share capital until the distribution deferred is fully settled. The Perpetual Capital Instrument may be redeemed at the option of the Company in whole but not in part, subject to certain conditions under the terms of the Perpetual Capital Instrument.

The Perpetual Capital Instrument was fully redeemed during the year of 2021.

14. EVENTS AFTER THE REPORTING PERIOD

Set out below are details of the significant events after the Group's reporting period:

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 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 Acquisiton-2, the "**Acquisitions**"). Upon the completion of the Acquisitions in accordance with the terms and conditions of the Equity Transfer Agreements 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.

15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

The year of 2022 has been extraordinary for the Group. On 19 May 2022, Shandong Hi-Speed Holdings 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 Shandong Hi-Speed Holdings. 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 current 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 Shandong Hi-Speed Holdings 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 *HK$'000*	2021 *HK$'000*	Change *%*
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 optimized 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%).

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).

[#] *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.*

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 is 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) centralized 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
III	**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 utilize 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 Understanding on Quality Development Cooperation between Shandong Hi-Speed Holdings Group Limited and 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 rationalize 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 centralized 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 capitalize 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 recognized in the industry in two consecutive years, with details analysed below:

		2022			2021		
Location	**Wind 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:							
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:

Wind resource area	2022 Number of Plants	2022 Approximate total on-grid capacity *(MW)*	2022 Approximate aggregate power generation *(Note 1)* *(MWh)*	2021 Approximate total on-grid capacity	2021 Approximate aggregate power generation *(MW)*	2021 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 prioritized the construction of self-owned projects related to photovoltaic and wind power, and internal resource allocation will be further adjusted and optimized. 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 realize 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, standardized 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 recognized 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 and other tax recoverables 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 Shandong Hi-Speed Holdings, 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 *HK$100 million*	Net proceeds raised – Utilized *HK$100 million*	Net proceeds raised – Unutilized *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.

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 ASSOCIATED COMPANIES AND JOINT VENTURES

There were no significant investments, material acquisition and disposal of subsidiaries, associated companies and joint ventures by the Group for the Year.

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 optimize 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 long-term 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 Shandong Hi-Speed Holdings 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 centralized 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-recognized 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in page 15 of this annual results announcement. Particular of the Group's major events after the reporting period and up to the date of this Announcement are as follows:

1. On 13 March 2023, the shares of the Company (the "**Shares**") have been selected and included as a constituent of the Hang Seng Composite Index ("**HSCI**") by Hang Seng Indexes Company Limited and have been included as an eligible stock under each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The inclusion of the Shares into the HSCI and under both the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect allows eligible investors in the mainland China to directly invest in the Shares listed on The Stock Exchange of Hong Kong Limited via the Shanghai Stock Exchange and the Shenzhen Stock Exchange, respectively. The Board believes that such inclusion will facilitate the expansion of the Company's shareholder base and increase the trading liquidity of the Shares, and as a result enhance the investment value of the Shares and reputation of the Company in the capital market.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2021: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, details of the purchase, sale or redemption of the listed securities of the Company are set out on pages 13 and 15 of this annual results announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, save as disclosed below, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**Code Provision**") contained in Appendix 14 (the "**CG Code**") of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year.

Under the Code Provision C.2.1 of the CG Code, the roles of the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**CEO**") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

Mr. Hu Xiaoyong ("**Mr. Hu**") and Mr. Zhang Tiefu ("**Mr. Zhang**") were joint Chairmen until the resignation of Mr. Hu as executive Director and joint Chairman on 16 May 2022 and the resignation of Mr. Zhang as executive Director and joint Chairman on 19 May 2022. Mr. Wang Xiaodong has been appointed as executive Director and Chairman with effect from 19 May 2022. Mr. Yang Guang ("**Mr. Yang**") resigned as an executive Director and CEO on 19 May 2022. Following the resignation of Mr. Yang, the Company has been identifying a suitable candidate to the position of CEO.

To ensure the balance of power and authority, the day-to-day management of business of the Group has been delegated to other executive Directors and management of the Group with the clear directions on the corporate actions that must be reported to and approved by the Board and the executive committees of the Company before making any decisions or entering into any commitments on behalf of the Company. The Board, with the assistance of the nomination committee of the Company, shall review the structure, size and composition of the Board from time to time and further announcement(s) will be made by the Company in relation to the appointment of CEO when required in accordance with the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The annual results of the Group for the Year have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.shne.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the Year.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises twelve Directors, namely Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Mr. Wang Wenbo, Mr. Sun Qingwei, Ms. Liao Jianrong, Mr. Li Li, Mr. He Yongbing and Ms. Ai Yan as executive Directors; and Professor Shen Zuojun, Mr. Victor Huang, Mr. Yang Xiangliang and Mr. Chiu Kung Chik as independent non-executive Directors.

* *for identification purpose only*