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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

Reference is made to the announcement (the "**Announcement**") of Shandong Hi-Speed New Energy Group Limited (the "**Company**" and its subsidiaries collectively, the "**Group**") dated 25 May 2023 in relation to the discloseable transactions and connected transactions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

This announcement is published for the purpose of providing the shareholders (the "**Shareholders**") and potential investors of the Company with the following supplemental information in relation to the Repurchase Agreements.

SUPPLEMENTAL INFORMATION TO THE REPURCHASE AGREEMENTS

Background

The Group had received the Demand Letter dated 16 March 2023 from a law firm in the PRC acting for the Vendors (being minority shareholders of SDHS Thermal) requesting SDHS Thermal (an indirect non-wholly-owned subsidiary of the Company) to perform its obligations under the Repurchase Agreements. The Repurchase Agreements were in relation to the repurchase of approximately 10.52%, 7.29%, 5.52%, 2.92%, 2.71% and 1.04% equity interests in SDHS Thermal from Vendor A, Vendor B, Vendor C, Vendor D, Vendor E and Vendor F, respectively, in the consideration of RMB45,500,000 plus certain interest amounts, RMB45,540,000, RMB34,480,000, RMB18,220,000, RMB16,900,000 and RMB6,510,000, respectively.

The entering into of the Repurchase Agreements occurred prior to the completion of the subscription of shares in the Company by SDHG, and when SDHG became the controlling shareholder of the Company in May 2022, the Board was also re-elected, with the majority of the Board members resigned and new Board members formed the new session of the Board.

After receiving the Demand Letter, the Group has conducted an internal investigation. Details of the key findings as at the date of this announcement are set out below.

Date of the Repurchase Agreements

Based on reviewing of the relevant information, records and documents relating to the Repurchases available to the Group, Repurchase Agreement A was executed by the parties on 4 March 2022, and Repurchase Agreement B, Repurchase Agreement C, Repurchase Agreement D, Repurchase Agreement E and Repurchase Agreement F were executed by the parties on 22 March 2022.

Information on Vendor B and Vendor C

Vendor B

As disclosed in the Announcement, at the time of entering into Repurchase Agreement B, Vendor B was owned as to (i) 99.9001% by Guoxin Changqing, a company wholly-owned by Grand Victory (Hong Kong) Limited（宏業（香港）有限公司）(a company incorporated in Hong Kong), which is in turn wholly-owned by True Favour Investments Limited（益誠投資有限公司）(“**True Favour**”, a company incorporated in the British Virgin Islands); and (ii) 0.0999% by Vendor E.

Based on the information available to the Company, True Favour is owned as to 83.3% by Huge Victory Investments Limited（澔勝投資有限公司）, a company incorporated in the British Virgin Islands, which is in turn wholly owned by Mr. Michael Liu and 16.7% by Big Sino Investments Limited（巨華控股有限公司）, a company incorporated in the British Virgin Islands, which is in turn owned as to 35% by Mr. Fu Jianli (a director of SDHS Thermal) and 65% by Ms. Huang Ning, the spouse of Mr. Fu Jianli.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, apart from Mr. Fu Jianli, Ms. Huang Ning and Big Sino Investments Limited (which in aggregate did not own more than 30% of Vendor B at the time of entering into Repurchase Agreement B), Vendor B and its ultimate beneficial owners are, Independent Third Parties.

Vendor C

As disclosed in the Announcement, at the time of entering into Repurchase Agreement C, Vendor C was owned as to 19% by each of Mr. Fu Cunhou and Mr. Fu Yuhou, who are the sons (aged 18 or above) of Mr. Fu Jianli, a director of SDHS Thermal. Based on the information available to the Company, Ms. Huang Ning, the spouse of Mr. Fu Jianli owned 27% of Vendor C. The remaining equity interests in Vendor C are owned as to (i) 15% by Nanwan (Beijing) Energy Technology Co., Ltd.*（南灣（北京）能源科技有限公司）, a company ultimately owned as to 90% by Yang Yiqun（楊逸群）and 10% by Bao Xiuzhu（鮑秀珠）; (ii) 9% by Xu Xianghai（許象海）; (iii) 9% by Bao Junsheng（包君生）; and (iv) 2% by Zhang Qinglai（張慶來）, and based on the information available to the Group, all of such remaining shareholders are Independent Third Parties. As such, the aggregate shareholding by Mr. Fu Cunhou, Mr. Fu Yuhou and Ms. Huang Ning exceeds 50%, and Vendor C is an associate of Mr. Fu Jianli and therefore a connected person of the Company at subsidiary level.

Total consideration under Repurchase Agreement A

According to the relevant information, records and documents relating to the Repurchases available to the Group, the Group confirmed that the total consideration under Repurchase Agreement A is RMB49,982,500, including the capital amount of RMB45,500,000 and interest in the amount of RMB4,482,500.

The net asset value of SDHS Thermal

Based on the audited consolidated financial statements of SDHS Thermal prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2021, the audited net asset value of SDHS Thermal and its subsidiaries (the "**SDHS Group**") as at 31 December 2021 was approximately RMB734,849,987.09.

Validity and enforceability of the Repurchase Agreements

The Group obtained legal advice from various PRC legal advisers, all of which are of the view that the Repurchase Agreements are legally binding and enforceable.

Reasons for and benefits of the Repurchases

Despite the fact that the existing Directors were not involved in the Repurchases when the Repurchase Agreements were executed, after reviewing the relevant documents and information available and having considered the below factors, the existing Directors (including the independent non-executive Directors) are of the view that, at the time of entering into the Repurchases Agreements, the Repurchases and the transactions contemplated thereunder though not entered into in the ordinary and usual course of business of the Group, were on normal commercial terms or better and the terms of which were fair and reasonable and in the interests of the Company and its Shareholders as a whole: (i) the total consideration under the Repurchase Agreements of RMB171,632,500 is lower than 30% (i.e. the aggregate percentage representing the underlying sales equity under the Repurchase Agreements) of the appraised value of all the equity interests in SDHS Thermal as at 30 September 2021 of RMB618,100,000; (ii) the opinion provided by the Reporting Accountant (as defined below) reviewed the arithmetical calculations of the Profit Forecast and confirmed that the Profit Forecast has been properly compiled, and the opinion provided by the Financial Adviser (as defined below) confirmed that the Profit Forecast has been made after due and careful enquiry by the management of SDHS Thermal at the time of entering into the Repurchase Agreements; (iii) the Repurchases would enable the Group to have 100% economic interest from SDHS Thermal; and (iv) the Group has obtained legal opinions issued by various PRC legal advisers which all opined that the Repurchase Agreements are legally binding and enforceable.

In the event that the transactions contemplated under the Repurchase Agreements are completed, SDHS Thermal will become an indirect wholly-owned subsidiary of the Company and SDHS Thermal's financial results will continue to be consolidated into the Company's financial statements.

The Group will continue to negotiate with the Vendors on how to proceed with the transactions contemplated under the Repurchase Agreements, and the Company will make further announcement(s) as and when appropriate or required in accordance with the Listing Rules if there are any material development(s) in relation to the Repurchase Agreements.

Listing Rules implications

Based on the above supplemental information, the Board is of the view that the Repurchase Agreements had the following Listing Rules implications.

As the Repurchase Agreements were entered within a 12-month period and the relevant subjects were also the equity interests in SDHS Thermal, the Repurchases were aggregated pursuant to Rule 14.22 of the Listing Rules. According to latest supplemental information currently available to the Group, at the time of entering into the Repurchase Agreements, one or more of the applicable percentage ratios in respect of the Repurchases, on an aggregate basis, should be more than 5% but all of them are less than 25%. Accordingly, the Repurchases in aggregate should have constituted a discloseable transaction of the Company and should have been subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Based on the information available to the Group, (i) Vendor A is a substantial shareholder of SDHS Thermal; (ii) Vendor C was at the time of the entering into of Repurchase Agreement C owned as to more than 50% by Mr. Fu Cunhou, Mr. Fu Yuhou and Ms. Huang Ning (being the sons (aged 18 or above) and spouse of (i.e. family members and immediate family member under Chapter 14A of the Listing Rules) of Mr. Fu Jianli, a director of SDHS Thermal) and therefore an associate of Mr. Fu Jianli, a director of SDHS Thermal, under Chapter 14A of the Listing Rules; and (iii) Vendor D was at the time of the entering into of Repurchase Agreement D owned as to 43% by Mr. Ma Dengbin, a director of SDHS Thermal, being a subsidiary of the Company, and therefore an associate of Mr. Ma Dengbin under Chapter 14A of the Listing Rules.

Accordingly, at the time of entering into the Repurchase Agreements, each of Vendor A, Vendor C and Vendor D was a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As Repurchase Agreement A, Repurchase Agreement C and Repurchase Agreement D were entered within a 12-month period and the relevant subjects were also the equity interests in SDHS Thermal, the transactions contemplated under Repurchase Agreement A, Repurchase Agreement C and Repurchase Agreement D, should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

At the time of entering into the Repurchase Agreements, one or more of the applicable percentage ratios in respect of the transactions under Repurchase Agreement A, Repurchase Agreement C and Repurchase Agreement D, on an aggregate basis, should be more than 1% but all of them were less than 5%. Accordingly, the transactions under Repurchase Agreement A, Repurchase Agreement C and Repurchase Agreement D should have constituted connected transactions of the Company involving connected persons at the subsidiary level under Chapter 14A of the Listing Rules and should be subject to the reporting and announcement requirements but were exempt from the circular and independent Shareholders' approval requirements under the Listing Rules.

THE ASSET APPRAISAL REPORT

As disclosed in the Announcement, each of the considerations under the Repurchase Agreements (other than Repurchase Agreement A) was determined with reference to the Asset Appraisal Report dated 21 February 2022. The Asset Appraisal Report was prepared by Beijing Guorong Xinghua Assets Appraisal Co., Ltd.*(北京國融興華資產評估有限責任公司)(the "**Valuer**"). As indicated in the Asset Appraisal Report, the appraised value of all the equity interests in SDHS Thermal as at 30 September 2021 (the "**Appraisal Benchmark Date**") amounted to RMB618,100,000, and the Valuer mainly applied the discounted cash flow method underlying the income approach and based on certain assumptions in the valuation to appraise the value of SDHS Thermal, which constituted a profit forecast (the "**Profit Forecast**") under Rule 14.61 of the Listing Rules. The following is a summary of the Asset Appraisal Report which covers, among others, the details of the principal assumptions, including commercial assumptions, upon which the Profit Forecast was based pursuant to the requirements under Rules 14A.68(7), 14.60A and 14.62 of the Listing Rules. As the Asset Appraisal Report and the summary below are prepared in Chinese, and the English summary is translated from the Chinese version, in the event of any inconsistency, the Chinese version shall prevail.

1. Appraisal purpose

The purpose of this appraisal is to perform an appraisal of the value of all the shareholders' interests in SDHS Thermal involved in the economic behavior, as a value reference for the economic behavior.

2. Valuation target and scope of the valuation

(I) Valuation target

The valuation target is the value of all the shareholders' interests in SDHS Thermal.

(II) Scope of the valuation

The scope of the valuation covers the entire assets and liabilities of SDHS Thermal reported as at the Appraisal Benchmark Date. The specific asset types and audited carrying values are set out in the following table:

Consolidated balance sheet as at 30 September 2021

Unit: RMB'0,000

Items	Carrying Value
Current assets	124,266.29
Non-current assets	255,563.46
Including: debt investments	
Other debt investments	
Long-term receivables	
Long-term equity investments	12,841.35
Investment in other equity instruments	
Other non-current financial assets	
Investment properties	
Fixed assets	116,469.40
Construction in progress	29,626.63
Productive biological assets	
Right-of-use assets	176.77
Intangible assets	87,127.28
Development expenditure	

Items	Carrying Value
Goodwill	7,567.86
Long-term prepaid expenses	1,536.76
Deferred income tax assets	217.41
Other non-current assets	
Total assets	379,829.75
Current liabilities	199,758.50
Non-current liabilities	111,732.22
Total liabilities	311,490.72
Owners' equity (net assets)	68,339.03
Including: owners' equity attributable to the parent company	49,519.74

Balance sheet of the parent company as at 30 September 2021

Unit: RMB'0,000

Items	Carrying Value
Current assets	188,635.31
Non-current assets	67,821.44
Including: debt investments	
Other debt investments	
Long-term receivables	
Long-term equity investments	67,677.34
Investment in other equity instruments	
Other non-current financial assets	
Investment properties	
Fixed assets	58.03
Construction in progress	
Productive biological assets	
Right-of-use assets	
Intangible assets	86.07
Development expenditure	
Goodwill	
Long-term prepaid expenses	
Deferred income tax assets	
Other non-current assets	
Total assets	256,456.75
Current liabilities	227,945.50
Non-current liabilities	
Total liabilities	227,945.50
Owners' equity (net assets)	28,511.25

The target and scope of the valuation commissioned are consistent with those involved in the economic behavior. As at the Appraisal Benchmark Date, the carrying value of the assets and liabilities within the scope of valuation has been audited by Beijing Xintuo Zixin Certified Public Accountants Co., Ltd.*（北京信拓孜信會計師事務所有限公司）, which issued an unqualified audit opinion. The audit report number is Xintuo Shen Zi (2021) No.AE1338.

3. Type of appraisal

Market value

4. Appraisal Benchmark Date

30 September 2021

5. Valuation method

Valuation approach: income approach and market approach

Valuation conclusion: the report adopts the valuation results under the income approach as the valuation conclusion

6. The reasons for adoption of appraisal method used by the Valuer, the key inputs and how they were determined and translated into the appraised value

(I) The reasons for adoption of valuation method and the key inputs

Valuation Methodology

The income approach refers to the appraisal method that capitalises or discounts the expected income of the valuation target to determine its value.

The market approach refers to the appraisal method that determines the value of the valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases.

The asset-based approach refers to the appraisal method that assesses the value of various on-sheet and identifiable off-sheet assets and liabilities to determine the value of the valuation target based on the balance sheet of the valuation target as at the Appraisal Benchmark Date.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any evaluation of enterprise value, asset valuation professionals shall analyse the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the asset-based approach, based on the purpose and target of the valuation, the type of value and the collected information, and select the appropriate valuation method. If different valuation methods are suitable for the evaluation of enterprise value, asset valuation professionals should adopt two or more valuation methods for the valuation.

The valuation adopts the income approach and the market approach for the following reasons:

The asset-based approach reflects the value of assets from the perspective of asset reacquisition, which means that the approach reflects the value of assets by deducting depreciation from the replacement cost of assets. That is to say, the asset-based approach determines the enterprise value from a static point of view, without considering the future development of the enterprise or other factors not recorded in the financial statements, such as human resources, marketing network, stable customer base and other factors, which tends to underestimate the value of the enterprise. Therefore, the asset-based approach is not appropriate for this valuation.

The market approach is to appraise the current fair market value of the valuation target with reference to the real market, which has the characteristics of adopting a direct perspective of valuation, intuitive evaluation process, direct evaluation data drawn from the market and strong persuasive appraisal results. The theoretical basis for the market approach is that enterprises operating in the same industry and having the same sizes and profitability shall have the same (or similar) market values. As there are plenty of listed companies in the capital market in the same or similar industries as the evaluated entity, information relating to the operations and businesses of comparable listed companies is publicly available, and the operational and financial data of comparable companies obtained are adequate and reliable, the market pricing of such companies can serve as a reference for the market value of the evaluated entity. Although there are certain differences in factors such as the size and products of the enterprises, the differences between the valuation target and the comparable companies can be quantified through the scientific and reasonable selection of the relevant comparative parameters. After years of development, the capital market in the PRC is equipped with basic market functions, and therefore the conditions for the adoption of the market approach for this valuation have been met.

The income approach evaluates assets from the perspective of their expected profitability, which can fully reflect the overall value of an enterprise, and its valuation conclusions are usually more reliable and convincing. The purpose of the valuation is to provide value reference for the economic behavior in respect of the proposed acquisition of equity interests by shareholders of the commissioning party. The valuation must objectively and truthfully reflect the market fair value of the total equity interests of shareholders of the evaluated entity. Instead of simply summing up the value of each individual asset, the overall value implied in the scale of operation, industry position and mature management mode of an enterprise should be reflected in a comprehensive manner. This means that the enterprise should be treated as an organic system, and the value of shareholders' equity interests should be represented by overall profitability. The management of the evaluated entity is able to provide historical operating data and profit forecast data for future years, and there is a relatively stable relationship between the profit forecast and assets of the entity. At the same time, the domestic capital market has developed considerably, and information such as industry-related beta coefficients, risk-free rate of return and market risk return can be obtained more conveniently, and the external conditions for the valuation by way of the income approach are mature. Therefore, it is appropriate to adopt the income approach for the purpose of this valuation.

(I) The income approach

The cash flow discount method under the income approach is adopted to indirectly acquire the value of total equity interests of shareholders through valuating the overall value of the enterprise. The overall value of the enterprise consists of the value of operating assets arising from normal operating activities and the value of non-operating assets unrelated to normal operating activities. The enterprise free cash flow discount model is adopted to determine the value of operating assets, that is, the value is calculated based on the enterprise free cash flow for several years in the future, discounting at appropriate discounting rate and adding the sum. The calculation model is as follows:

Value of total equity interests of shareholders = Overall value of the enterprise – Value of the interest-bearing debts

1. Overall value of the enterprise

Overall value of the enterprise refers to the sum of value of total equity interests of shareholders and value of the interest-bearing debts. According to asset allocation and use of the evaluated entity, the overall value of the enterprise is calculated as follows:

Overall value of the enterprise = Value of operating assets + Value of surplus assets + Value of non-operating assets and liabilities

(1) Value of operating assets

Operating assets refers to assets and liabilities involved in the enterprise free cash flow forecast after the Appraisal Benchmark Date, in relation to the production and operation of the evaluated entity. The value of operating assets is calculated as follows:

$$P=\sum_{i=1}^{n}\frac{R_i}{(1+r)^{i-0.5}}+\frac{R_{n+1}}{r(1+r)^{n-0.5}}$$

Where, P: Value of operating assets of the enterprise as at the Appraisal Benchmark Date;

R_i: Expected enterprise free cash flow in the i year after the Appraisal Benchmark Date;

R_{n+1}: Expected enterprise free cash flow for the final year of the forecast period;

r: Discount rate (herein refers to the weighted average capital costs, or WACC);

n: Forecast period;

i: Year i of the forecast period.

Among which, the enterprise free cash flow is calculated as follows:

Enterprise free cash flow = Net profit before interest and after taxation + Depreciation and amortisation – Capital expenditure – Increase in working capital

Among which, discount rate (weighted average capital costs, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1-t) \times \frac{D}{E + D}$$

Where: K_e: Cost of equity capital;

k_d: Cost of the interest-bearing debts capital;

E: Market value of equity;

D: Market value of the interest-bearing debts;

t: Income tax rate.

Among which, the cost of equity capital is calculated by using the capital asset pricing model (CAPM) as follows:

$$k_e = Rf + ERP \times \beta + \triangle$$

Where: Rf: Risk-free interest rate;

β: Systematic risk coefficient of equity;

ERP: Market risk premium;

$\triangle$: Enterprise-specific risk adjustment coefficient.

(2) Value of surplus assets

Surplus assets refer to assets exceeding the production and operation requirements of the enterprise as at the Appraisal Benchmark Date and not involved in the enterprise free cash flow forecast after the Appraisal Benchmark Date. This appraisal is mainly adopted cost approach to individually analyse and assess the surplus assets.

(3) Value of non-operating assets and liabilities

Non-operating assets and liabilities refer to those not relating to production and operation of the evaluated entity and not involved in the enterprise free cash flow forecast after the Appraisal Benchmark Date. The appraised values of non-operating liabilities are determined mainly based on verified carrying values.

2. Value of the interest-bearing debts

Interest-bearing debts refer to the liabilities on which the evaluated entity is required to pay interest as at the Appraisal Benchmark Date. The appraised values of the interest-bearing debts are verified carrying values.

(II) The market approach

1. Introduction of the market approach

The market approach is a method to analyse and determine the appraised value of the equity interests of the evaluated entity, through analysing the respective features of the comparable company and the evaluated entity, based on the recent transaction price of the comparable company which is identical or similar to the evaluated entity. The theoretical basis for the market approach is that enterprises operating in the same industry and having the same sizes and profitability shall have the same (or similar) market values. Two methods commonly used in the market approach are the comparable company comparison method and the transaction case comparison method.

The comparable company comparison method refers to the method that calculates appropriate value ratios or economic indicators by analysing operating and financial data of listed company in the capital market operating in the industry same as or similar to that of the appraised company, and determines the method of the value of the valuation target based on comparative analysis with the appraised company.

The transaction case comparison method refers to the method that calculates appropriate value ratios or economic indicators by analysing the purchase and sale, acquisition and merger cases of companies operating in the industry same as or similar to that of the appraised company, obtaining and analysing data and information of such transaction cases, and determines the method of the value of the valuation target based on comparative analysis with the appraised company.

As for the listed company comparison method, it has better operability for the openness of indicator data of listed company. The basic conditions of using the market approach for appraisal are that: there must be a relatively active capital and securities market; and market cases and their indicators and parameters comparable to the valuation target can be collected and quantified.

The basic considerations of the transaction case comparison method and the listed company comparison method are consistent. The differences between them are that the listed company comparison method calculates appropriate value ratios by analysing performance, operating and financial data of comparable company in the capital market, while the transaction case comparison method calculates appropriate value ratios by analysing data on the purchase and sale, acquisition and merger cases of companies operating in the industry same as or similar to that of the evaluated entity.

Based on the information collected by the Valuer, considering that it is difficult to collect the basic information of the transaction cases and it is impossible to know whether there are non-market factors in the transaction process, it is inappropriate to adopt the transaction case comparison method for this appraisal. The operating and financial data of comparable listed company are more separate and objective, and have better operability. In consideration of the valuation target, valuation purpose and information collected, the listed company comparison method is adopted for this appraisal to assess the value of total equity interests of shareholders of BE Clean Heat.

(II) How to determine and translate into the appraised value

Calculation formulas

Under the listed company comparison method, the value ratio of the evaluated entity is determined by analysing and adjusting the value ratios between the value of total equity interests of shareholders in comparable listed companies (or the overall value of the enterprise) and their profitability indicators, asset value or other specific non-financial indicators and then estimating the value of total equity interests of shareholders or the overall value of the enterprise according to the profitability indicators, asset value or other specific non-financial indicators of the evaluated entity.

The value ratio is a ratio of asset value to a closely related indicator thereof, i.e.:

Value ratio = Asset value/Indicator closely related to asset value

There are different ratios for different assets selected, including the full investment value ratios and equity investment value ratios, and the indicator closely related to asset value may be profit indicator, income indicator, asset indicator or other specific non-financial indicators. The value ratios commonly used are listed below:

(1) Profit-based value ratios

The profit-based value ratios are value ratios established between the asset value and profit indicators, which can be further divided into full investment value ratios and equity investment value ratios, including:

EV/EBIT = (Equity value + Value of creditor's right)/Earnings before interest and tax

EV/EBITDA = (Equity value + Value of creditor's right)/Earnings before interest, tax, depreciation and amortisation

EV/NOIAT = (Equity value + Value of creditor's right)/Cash flows after tax

P/E = Equity value/Profit after tax

(2) Income-based value ratios

The income-based value ratios are the value ratio established between the asset value and sales income.

(3) Asset-based value ratios

The asset-based value ratios are value ratios established between the asset value and asset indicators, which generally include:

Total assets value ratio = (Equity value + Value of creditor's right)/Total assets value

Fixed assets value ratio = (Equity value + Value of creditor's right)/Fixed assets value

P/B = Equity value/Net assets shown in the statements

The P/E indicators cover two aspects, being the investment costs and income, and can reflect the impact of the expected income of the enterprise in the future, the development potential and other factors on the enterprise value by a quantitative analysis. Therefore, P/E has been selected as the value ratio for this valuation, i.e.:

P/E = Equity value/Profit after tax

Value of total equity interests of shareholders of the evaluated entity = Net operating profit of the evaluated entity × P/E × (1– Discount for lack of liquidity)× (1+ Premium for the controlling interest) + Appraised value of the non-operating assets and surplus assets

3. *Valuation steps*

(1) Selection and confirmation of comparable listed companies based on the analysis of and judgement on the situations and development prospects for the industry in which the subject company operates;

(2) Analysis of and adjustment on the financial data of comparable listed companies and the appraised enterprise;

(3) Calculation of the proportional relationship between the market value of comparable companies and the analysis parameters selected, known as the value ratio multiplier. However, necessary adjustments are required before such ratio multiplier is applied to the corresponding analysis parameters of the valuation target so as to reflect the differences between comparable companies and the valuation target;

(4) Determination of liquidity discount;

(5) Determination of the value of total equity interests of shareholders of the evaluated entity on the basis of the value multiplier of the evaluated entity together with the appraised value of the non-operating assets and surplus assets by taking into consideration the discount for lack of market liquidity.

7. The scope of work performed by the Valuer, limitation thereon and the reasons for such limitation

Process and implementation of valuation procedures

The Valuer appraised the assets and liabilities associated with the valuation target. The main valuation procedures were implemented in the following manner:

(I) Acceptance of engagement

The Valuer and the entrusting party reached an agreement on the basic matters related to the valuation service, including the purpose, target and scope of the valuation and the Appraisal Benchmark Date, and the rights and obligations of each party. Through negotiations, the Valuer and the entrusting party prepared the relevant valuation plan, the time and way for delivering the Asset Appraisal Report and other basic matters related to the valuation service.

(II) First-phase preparation

Based on the basic valuation matters, the Valuer prepared the valuation plan, built the valuation team and provided trainings to personnel involving in the project.

(III) On-site investigation

The Valuer conducted necessary verification on the assets and liabilities associated with the valuation target, and carried out necessary due diligence on the operation and management of the evaluated entity.

1. *Guide the evaluated entity on how to complete the forms and to prepare materials to be provided to the valuation agency*

While the financial and asset management personnel of the evaluated entity check the assets of the enterprise, the Valuer guided them to report carefully and accurately the assets that fell within the valuation scope according to the "asset valuation schedule" and the instructions provided thereon and the list of information provided by the valuation agency, to collect and prepare property certificates of assets and documents reflecting the performance, state, economic and technical indicators and other information.

2. *Preliminarily review and improve the asset valuation schedule completed by the evaluated entity*

The Valuer acquired the detailed information of specific assets falling within the valuation scope through consulting relevant materials, and carefully reviewed all the "asset valuation schedules" to check if there were any incomplete information, errors or unclear statements of asset items. Based on the experience and the relevant information obtained, the Valuer checked if there was any omission from the "asset valuation schedule" and provided the feedback to the evaluated entity for improving the "asset valuation schedule".

3. *Conduct on-site survey*

In accordance with the relevant provisions of asset valuation standards, the Valuer conducted on-site survey on assets falling within the valuation scope in terms of type, quantity and distribution under the cooperation of relevant personnel of the evaluated entity. Different survey methods were adopted in light of the nature and characteristics of different assets.

4. *Supplement, revise and improve the asset valuation schedule*

Based on the result of on-site survey and the thorough communication with relevant personnel of the evaluated entity, the Valuer further improved the "asset valuation schedule" to ensure the consistency among the accounts, the statements and the actual condition.

5. *Verify property certificates*

The Valuer verified the property certificates of assets falling within the valuation scope, and required the enterprise with incomplete ownership information or unclear ownership to check or provide the relevant property documents.

(IV) Collection of information

Based on specific conditions of the valuation, the Valuer collected the relevant information, which include the information obtained directly and independently from the market and other channels, the information obtained from the entrusting party and other relevant parties and the information obtained from governmental authorities, professional institutions and other relevant departments, and conducted necessary analysis, induction and collation of the collected information to develop the basis for valuation and estimate.

(V) Valuation and estimate

Based on the specific conditions of assets and the valuation method adopted, the Valuer selected the corresponding formulas and parameters to make analysis, calculation and judgements and to reach a preliminary valuation conclusion. The project leader summarized the preliminary valuation conclusion in respect of the assets, prepares and finalized the preliminary Asset Appraisal Report.

(VI) Internal review

According to the Valuer's measures for the management of valuation business process, the project leader submitted the preliminary Asset Appraisal Report to our company for internal review. Following the internal review, the project leader communicated with the entrusting party or other relevant parties agreed by the entrusting party on the relevant content of the Asset Appraisal Report, reasonably improved the report based on the feedback, and then issued and delivered the Asset Appraisal Report.

(VII) Archiving of valuation documents

In accordance with the requirements of asset valuation standards, the Valuer sorted working papers, the Asset Appraisal Report and other relevant materials to maintain the asset valuation archive.

8. The nature and source of information relied upon

Pricing basis

1. Benchmark interest rates on deposits and loans of banks as at the Appraisal Benchmark Date;

2. Financial statements and audit reports of prior years provided by the enterprise;

3. Business plans for the future years provided by the relevant departments of the enterprise;

4. Market forecasts of main products for the current and future years provided by the enterprise;

5. Relevant industry statistics provided by WIND Info system;

6. On-site inspection records of the Valuer and other relevant valuation information collected;

7. Other materials related to the asset appraisal.

Other bases

1. The list of assets, the reporting form for the valuation and the table of income forecast provided by the evaluated entity;

9. The assumptions

The principal assumptions (including commercial assumptions), upon which the appraisal (including the Profit Forecast) of all the equity interests in SDHS Thermal was based, are set out as follows:

Basic assumptions

1. Open market assumption: The transaction parties are of equal status, with opportunities and time to obtain sufficient market information so as to make rational judgments on the functions, uses and transaction prices of the assets traded in the market or assumed to be traded in the market.

2. Trading assumption: The appraised assets are being traded in the market, and the Valuer carries out the valuation based on a simulated market including the transaction terms of those assets.

3. Going-concern assumption: the evaluated entity will fully comply with all relevant laws and regulations and operate as a going concern in the foreseeable future.

General assumptions

1. There will be no major changes in the current relevant laws, regulations and policies as well as macroeconomic situation, and there will be no major changes in the political, economic and social environment in the jurisdiction where the transaction parties are located.

2. The interest rates, exchange rates, tax basis, tax rates, and policy-based levies related to SDHS Thermal will not change significantly after the asset appraisal date.

3. The management of the evaluated entity after the asset appraisal date remains responsible, stable, and has the capability to take on its duties after the asset appraisal date.

4. The SDHS Thermal fully complies with all relevant laws and regulations.

5. It is assumed that the values of various parameters measured in this evaluation are determined according to the current price system, and the influence of inflation after the asset appraisal date is not considered.

6. There will be no force majeure and unforeseen factors that may have a material adverse impact on SDHS Thermal after the asset appraisal date.

Specific assumptions

1. The accounting policies to be adopted by the evaluated entity after the asset appraisal date will be consistent with those adopted at the time of preparing the Asset Appraisal Report in material respects.

2. Based on the current management style and standards of the evaluated entity, the direction of its business scope and style will remain consistent with its current ones after the asset appraisal date.

3. There will be no major changes in interest rates, exchange rates, tax basis, tax rates and policy-based levies.

4. There are no other force majeure factors and unforeseeable factors that cause material adverse effects to the business activities of the evaluated entity.

5. There will be no material changes to the business scope and method of the evaluated entity in the future, and its main business structure, revenue and cost composition, sales strategy and cost control will continue to maintain the status in recent years without material changes. It does not consider any future changes in operating capacity, business scale, and business structure that may be caused by the changes in management, business strategies, additional investment, and business environment of the evaluated entity.

6. The evaluated entity has obtained a steady inflow of cash throughout the forecasted period.

7. It is assumed that in the forecasted period, various heat supply policies and national subsidy policies will not undergo substantial changes on the current basis, and will still maintain its subsidy principles and calculation basis in recent years.

8. It is assumed that the overall construction plan of the area where the evaluated entity is located will not undergo any material changes, and there will be no material impact on the operation of heat supply capabilities.

9. It is assumed that all financial reports and transaction data of the comparable companies upon which the Valuer relied are true and reliable.

10. All licenses, use permits, consent letters, or other legal or administrative authorisation documents issued by relevant local, national government agencies, and groups required for the asset use method on which the Asset Appraisal Report is based are assumed to be obtained and are renewable upon expiry.

The valuation conclusion of the Asset Appraisal Report stands as at the Appraisal Benchmark Date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned asset appraisers and the valuation agency shall not be responsible for deducing different valuation conclusions due to any changes of the assumptions.

10. The appraised value ascribed to the transaction target and the principal reasons for the conclusions reached

As at the Appraisal Benchmark Date of 30 September 2021, the valuation results of the value of total equity interests of shareholders of SDHS Thermal were as follows:

(I) Valuation results using the income approach

As at the Appraisal Benchmark Date, the carrying value of the consolidated total assets, the carrying value of the consolidated total liabilities, the carrying value of the consolidated owners' equity attributable to the parent company, the appraised value of the total equity interests of shareholders of SDHS Thermal were RMB3,798,297,500, RMB3,114,907,200, RMB495,197,400, RMB618,100,000 respectively, and its valuation incremental value amounted to RMB122,902,600, representing an increase ratio of 24.82%.

(II) Valuation results using the market approach

As at the Appraisal Benchmark Date, the carrying value of the consolidated total assets, the carrying value of the consolidated total liabilities, the carrying value of the consolidated owners' equity attributable to the parent company, the appraised value of the total equity interests of shareholders of SDHS Thermal were RMB3,798,297,500, RMB3,114,907,200, RMB495,197,400, RMB669,523,200 respectively, and its valuation incremental value amounted to RMB174,325,800, representing an increase ratio of 35.20%.

The market approach refers to the valuation method that calculates the value of the valuation target by conducting comparison and analysis with comparable companies in the capital market. Although the comparable companies selected in the valuation have strong comparability with the valuation target at multiple levels, there are often significant subjective factors in adjusting differences, which have a certain impact on the appraised value using the market approach. In addition, the calculation multiplier indicators of comparable companies are often influenced by macro-economic, market environment and other external factors, which directly affect the appraised value using the market approach.

The income approach is an approach of calculating and determining the appraised value on the basis of predicting the future income of the evaluated entity, which can better reflect the overall growth and profitability of the evaluated entity and can more reasonably reflect the value of total equity interests of shareholders of the evaluated entity.

Based on the above analysis, the valuation results using the income approach is adopted as the valuation conclusion of the Asset Appraisal Report, i.e., the valuation results of the value of total equity interests of shareholders of SDHS Thermal being RMB618,100,000.

11. The effective date of the appraisal

Date of the Asset Appraisal Report: 21 February 2022

Appraisal Benchmark Date: 30 September 2021

The valuation conclusion shall be valid for one year from the Appraisal Benchmark Date.

12. Identity, qualification and independence of the Valuer

Beijing Guorong Xinghua Assets Appraisal Co., Ltd.*（北京國融興華資產評估有限責任公司）holds a valid business license issued by the Haidian District Market Supervision and Administration Bureau of Beijing Municipality*（北京市海澱區市場監督管理局）dated 9 October 2021. Two asset appraisers, namely Liu Jingmin（劉靜敏）and Lv Jie（呂傑）holding the Professional Qualification Certificate for Asset Appraisers*（資產評估師職業資格證書）issued by the China Appraisal Society dated 6 May 2021 and 19 May 2021, respectively, are responsible for preparing the report.

Beijing Guorong Xinghua Assets Appraisal Co., Ltd. and each of the two asset appraisers, namely Liu Jingmin and Lv Jie, have confirmed in the report that they have no existing or anticipated interest relationship with the valuation target as set out in the report, and they do not have any existing or anticipated interest relationship with the relevant parties involved, and have no bias towards the relevant parties.

Confirmations

Ernst & Young, acting as the reporting accountant of the Company (the "**Reporting Accountant**"), has confirmed that they have reviewed the arithmetical calculations of the Profit Forecast and the Profit Forecast has been properly compiled in accordance with the assumptions adopted by the management of SDHS Thermal as set out above.

Opus Capital Limited, acting as the financial adviser to the Company (the "**Financial Adviser**"), has reviewed the Profit Forecast and is satisfied that the Profit Forecast has been made after due and careful enquiry by the management of SDHS Thermal at the time of entering into the Repurchase Agreements.

A report from the Reporting Accountant and a letter from the Financial Adviser are included in the appendices I and II respectively to this announcement pursuant to the requirements under Rules 14.60A and 14.62 of the Listing Rules.

Experts and Consents

Qualifications of the Reporting Accountant and the Financial Adviser (collectively, the "**Experts**") are respectively set out as follows:

Name	Qualifications
Ernst & Young	Certified Public Accountants
Opus Capital Limited	A licensed corporation which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, the Experts are third parties independent of the Group and its connected persons (as defined under the Listing Rules). As at the date of this announcement, each of the Experts:

(i) has given, and has not withdrawn, its written consent to the publication of this announcement that includes its letter and all references to its name in the form and context in which they appear;

(ii) does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group; and

(iii) has confirmed that it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022 (being the date to which the latest audited consolidated results of the Group were made up).

NON-COMPLIANCE WITH THE LISTING RULES

The internal investigation revealed that there were deficiencies in SDHS Thermal's internal control mechanism at the time of entering into the Repurchase Agreements, which resulted in the Company's failure to publish an announcement in relation to the Repurchases in accordance with the Listing Rules in a timely manner and to obtain complete information. The Company would like to express its regret for the relevant failure but in view of the fact that the transaction scope of the Repurchases was not subject to Shareholders' approval and as at the date of this announcement, the Company considers that the interests of the Company and the Shareholders have not been materially affected.

The Company has engaged Mazars Risk Advisory Services Limited as an internal control consultant (the "**IC Consultant**") to identify the relevant deficiencies of internal control mechanism of the Group, if any and provide recommendations on improvement. It is expected that the IC Consultant would issue an internal control review report by late-December 2023 and further announcement(s) will be made by the Company on the findings in connection with the internal control review report, as and when appropriate.

Looking forward, the Company will work more closely with its legal adviser on compliance matters and consult other professional advisers as appropriate and necessary before entering into any potential notifiable or connected transactions. The Company will consult with the Stock Exchange on the proper handling of the proposed transactions as and when necessary.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 4 December 2023

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

* *For identification purpose only*

The following is the text of a report received from the Reporting Accountant, Ernst & Young, for the purpose of incorporation into this announcement.

4 December 2023

The Board of Directors
Shandong Hi-Speed New Energy Group Limited
38th Floor, The Centre
99 Queen's Road Central, Central
Hong Kong

Dear Sirs,

Shandong Hi-Speed New Energy Group Limited (the "Company")

Report from the reporting accountants in relation to the discounted cash flow forecast in connection with the Asset Appraisal Report

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the Asset Appraisal Report dated 21 February 2022 prepared by Beijing Guorong Xinghua Assets Appraisal Co., Ltd.*（北京國融興華資產評估有限責任公司） in respect of the valuation of Shandong Hi-Speed Thermal Group Company Limited*（山高熱力集團有限公司）(formerly known as BE Clean Heat Energy Company Limited*（北控清潔熱力有限公司））(the "**SDHS Thermal**") as at 30 September 2021. The valuation was based on the Forecast which would constitute a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Responsibilities of the management of SDHS Thermal

The management of SDHS Thermal are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the management of SDHS Thermal. The Assumptions are set out in the paragraph headed "9. The assumptions" under the section headed "The Asset Appraisal Report" of the announcement (the "**Announcement**") of the Company dated 4 December 2023.

Our independence and quality management

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

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

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the management of SDHS Thermal have properly compiled the Forecast in accordance with the Assumptions adopted by the management of SDHS Thermal. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the management of SDHS Thermal. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of SDHS Thermal. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the management of SDHS Thermal as set out in the Announcement.

Certified Public Accountants
Hong Kong

* *For identification purpose.*

The following is the text of a letter received from the Financial Adviser, Opus Capital Limited, for the purpose of incorporation into this announcement.

4 December 2023

Shandong Hi-Speed New Energy Group Limited
38th Floor, The Centre
99 Queen's Road Central, Central
Hong Kong

Attention: The Board of Directors

Shandong Hi-Speed New Energy Group Limited (the "Company")

Report from the financial adviser in relation to the discounted cash flow forecast underlying the income approach of the Asset Appraisal Report

Dear Sirs/Madams,

We refer to the announcements of the Company dated 25 May 2023 (the "**Announcement**") and 4 December 2023 (the "**Supplemental Announcement**") in relation to transactions contemplated under six repurchase agreements (the "**Repurchase Agreements**") in relation to the repurchases (the "**Repurchases**") of, in aggregate, 30% equity interests in Shandong Hi-Speed Thermal Group Company Limited*（山高熱力集團有限公司）(formerly known as BE Clean Heat Energy Company Limited*（北控清潔熱力有限公司）) ("**SDHS Thermal**"), an indirect non-wholly owned subsidiary of the Company which had constituted discloseable transactions and connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Supplemental Announcement refers to the discounted cash flow forecast (the "**Forecast**") underlying the income approach of the business valuation (the "**Valuation**") conducted by Beijing Guorong Xinghua Assets Appraisal Co., Ltd.*（北京國融興華資產評估有限責任公司）(the "**Valuer**") in relation to the appraisal of the fair value of the entire equity interests in SDHS Thermal as at 30 September 2021 for the purpose of the Repurchases as set out in the asset appraisal report dated 21 February 2022 (the "**Asset Appraisal Report**"). The Forecast upon which the Valuation has been made is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The principal bases and assumptions (the "**Assumptions**") upon which the Forecast is based are included in the Supplemental Announcement. Capitalised terms used in this letter shall have the same meanings as those defined in the Announcement and the Supplemental Announcement unless the context otherwise requires.

Our work in connection with the Forecast has been undertaken solely for the purpose of complying with the relevant requirements under Rule 14.62(3) of the Listing Rules. We have undertaken reasonableness checks to assess the relevant experience and expertise of the Valuer and are satisfied that reliance could fairly be placed on the Valuer's work. We have reviewed the Forecast upon which the Valuation has been made and, together with Ernst & Young, have discussed with the Valuer the valuation methods, qualifications, bases and assumptions upon which the Forecast have been prepared by the Valuer. We have attended discussions with the management of the Company and the management of SDHS Thermal regarding the Assumptions. In these discussions, the participants discussed the historical financial performance of SDHS Thermal, the actual financial performance of SDHS Thermal since the Forecast was made, and key Assumptions considered relevant by the Valuer and the management of SDHS Thermal when the Forecast was made. We have also considered the letter from Ernst & Young dated 4 December 2023 addressed to the Board as set out in Appendix I to the Supplemental Announcement regarding the arithmetical accuracy of the calculations of the Forecast. We have noted that Ernst & Young concluded in its letter that the Forecast, so far as the arithmetical accuracy of the calculations is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the management of SDHS Thermal.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, qualifications, bases and assumptions selected by the Valuer, for which the Valuer and the management of SDHS Thermal are responsible, we are satisfied that the Forecast disclosed in the Announcement and the Supplemental Announcement, have been made after due and careful enquiry by the management of SDHS Thermal at the time of entering into the Repurchase Agreements.

We have not independently verified the assumptions or computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the fair value of the entire equity interests in SDHS Thermal as at 30 September 2021 to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Valuer, including all information, materials, and representations referred to or contained in the Announcement and the Supplemental Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Supplemental Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Asset Appraisal Report.

We are acting as the financial adviser to the Company in reviewing the Forecast and will receive professional fees for such service. We, our directors and affiliates will, neither jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the review of the Forecast, nor will we, our directors or affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company.

For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein. We express no opinion as to how closely the actual cash flow will eventually correlate with the Forecast. This letter also does not serve as an opinion or recommendation to any person as to whether they should take any action in the securities of the Company. Shareholders and potential investors of the Company are recommended to read the Announcement and the Supplemental Announcement with care, and if needed, to consult with its professional adviser(s).

A copy of this letter in its entirety may be reproduced in the Supplemental Announcement on the basis that none of the Company, the Valuer or any other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of the same.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

* *For identification purpose only.*