1H26 EARNINGS UPDATE

Shandong Hi-Speed New Energy Group Ltd

Wind Power Deployment Accelerates; Project Pipeline Reinforces Growth Momentum

KEY POINTS

Operating in a complex industry environment in 1H26. SHNE recorded total revenue of RMB2.131 billion and net profit attributable to equity holders of RMB154 million. Gross margin stood at 43%. The short-term performance softness was primary driven by cyclical and regional industry headwinds—namely intensified curtailment constraints and softening market-oriented tariffs, compounded by lower YoY wind/solar resources. Furthermore, top-line fluctuations interacted with rigid baseline operating costs (cost of sales reached RMB1.21 billion, with depreciation and amortization accounting for ~70%), temporarily compressing margin space. Despite periodic earnings volatility, clear pathways for medium-to-long-term performance recovery are taking shape:

- Structural Relief via Grid Investment: Power absorption capacity is set for progressive enhancement backed by the planned RMB5 trillion grid investment during the 15th Five-Year Plan period (a RMB4 trillion increase over the 14th FYP). Given that curtailment imposes a dual drag on both power volume and localized tariffs, marginal grid improvements will generate substantial positive earnings leverage.
- Potential Integrated "Renewable Energy +" Solutions: The company is actively building a robust pipeline for "Renewable Energy +" initiatives—including "Source-Grid-Load-Storage" integration, direct green power supply, and transport-energy synergy—with energy storage serving as the core supporting pillar. Once successfully rolled out, these solutions are expected to enhance onsite power consumption, stabilize realized power yields, and cushion against market-oriented tariff volatility.
- High-Yield Wind Capacity Transition: Strategic expansion in high-quality wind power will optimize the fleet mix and scale economies as pipeline projects gradually come online.

Accelerated wind power development with a well-structured project pipeline; rich reserves underpin long-term growth. The company continues to execute its strategy of "expanding wind power and stabilizing solar power." In 1H26, new project pipeline expansion delivered notable results. Projects are categorized into two tiers based on development progress—under construction and approved pending construction—offering clear stratification of project certainty. Projects under construction generally demonstrate high execution certainty, with a focus on key regions in Jiangsu and Shandong. Jiangsu: Includes the 18.8MW fishery-solar hybrid project in Hanjiang District, Yangzhou, and the 100MW fishery-solar-storage integration demonstration project in Yizheng, fostering integrated "Renewable Energy +" business formats. Shandong: Covers the 175MW distributed wind power project in Yuncheng and the 212.5MW wind power project in Mudan District, Heze, continuously consolidating the company's core market presence within the province. Projects approved pending construction have mostly progressed smoothly through preliminary approvals, providing strong execution feasibility. These include the 100MW Phase II solar project in Hanbei Town, Wuxiang, Shanxi; the 100MW wind power project in Muge, Zhaoping, Guangxi; and the 287.5MW wind power project in Dingtao, Heze, Shandong. The company adheres to a selective development strategy for newly acquired project capacity indicators in 1H26. Meanwhile, leveraging the resource advantages of its controlling shareholder, Shandong Hi-Speed Group, the company can consolidate internal wind power projects within the group through M&A to achieve financial consolidation, further broadening capacity growth channels. As of the end of the reporting period, the company's total project reserves reached 7.865GW, laying a solid foundation for continuous long-term expansion in installed capacity.

September 7, 2026

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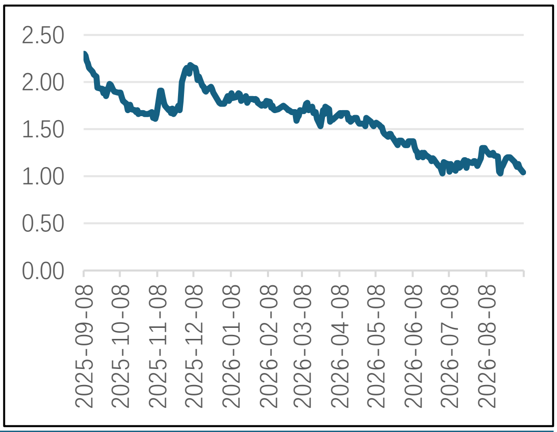
KEY DATA

Exchange: HKEX
Ticker: 1250
Current Price: HK$1.04
52-Week Range: HK$1.00-HK$2.36
Average Volume (3M): 0.07M
Shares Outstanding (MM): 2,247
Market Capitalization (MM): HK$2,336
Fiscal Year-End: December

FINANCIALS

In RMB Million	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	4,423	4,409	4,006	4,249	4,557
Gross Profit	2,021	2,000	1,692	1,835	2,041
EBIT	1,835	1,594	1,280	1,529	1,713
IFRS Net Income	284	229	100	184	246

PRICE PERFORMANCE



Cost reduction and efficiency enhancement deliver outstanding results, and financial resilience continues to strengthen. The company adheres to the dual-driven strategy of high-quality development and cost reduction with efficiency improvement. On the financial front, the company continuously optimizes its financing structure by replacing high-cost borrowings with low-cost debt. Finance costs amounted to approximately RMB440 million during the reporting period, down 21.3% YoY, effectively hedging the impact on profitability. Administrative expenses decreased significantly YoY, with notable results from budget control. The balance sheet remains sound, with a period-end asset-liability ratio of 59. 9%, cash and cash equivalents of approximately RMB5.21 billion, and a current ratio of 1.68. Ample financial reserves provide solid support for subsequent project development. On the operation front, the company deepens intelligent O&M transformation, promotes unattended/less-staffed station management and preventive equipment maintenance. Through the synergy between production and trading, maintenance is precisely scheduled during periods of low tariffs or curtailment. Wind power utilization hours continue to outperform the national average, fully hedging against external environmental impacts.

In terms of valuation, the company's continuous capacity expansion, alongside near-to-mid-term energy storage serving as an operational buffer, lays the groundwork for a long-term turnaround against wind power tariff and curtailment headwinds.

Looking at future volume and price dynamics:

- Short term: Power generation growth remains modest, while realized tariffs face downward pressure due to a higher share of market-oriented power trading.
- Medium term: A concentrated wave of pipeline projects will come online, driving a significant surge in installed capacity, where economies of scale will partially offset unit tariff declines.
- Long term: Downside risks from wind power curtailment and tariff caps are expected to reverse as grid infrastructure improves.

The company is accelerating its strategic pivot toward a dual-engine model focused on both "project development and grid connection". It is actively establishing "Renewable Energy +" new business formats—including transport-energy synergy, Source-Grid-Load-Storage integration, and direct green power supply—to cultivate diversified profit drivers. The company's stock is currently trading at HK$1.04, corresponding to a market capitalization of HK$2,336 million. We expect 27E/28E EPS of HK$0.08/0.11, implying forward P/E rate of 13x/9x —below the peer average of 18x/16x. This valuation discount presents an attractive entry point for investors, especially considering SHNE's integration of transportation and energy, electricity-computing synergy, and continuous expansion of its renewable energy project reserve.

Risk Factors

Persistent wind power curtailment pressure; Downward pressure on comprehensive tariffs from new grid-connected projects.

FINANCIALS AND VALUATION UPDATES

Figure 1: 1H26 Summary of SHNE's On-Grid Projects and Future Pipeline According to Public Disclosure.

		In Operation (MW)			Pipeline (MW)			Total (MW)
Country	Provinces	Solar-Utility	Solar-DG	Wind	Solar-Utility	Solar-DG	Wind	
China	Hebei	678	87	301	170	100	-	1,337
	Henan	259	198	372	-	-	220	1,048
	Shandong	243	182	328	-	35	1,373	2,160
	Anhui	194	173	-	-	-	-	366
	Jiangsu	184	128	-	419		-	730
	Shanxi	139	4	50	762	-	815	1,771
	Guizhou	208	10	-	-	-	-	218
	Shaanxi	161	2	-	-	-	-	164
	Guangdong	162	27	-	-	-	30	220
	Jiangxi	125	31		-	-	40	196
	Inner Mongolia	-	4	119	100	-	1,195	1,419
	Ningxia	100	-	-	-	-	-	100
	Xinjiang	-	-	100	300	-	-	400
	Hubei	70	23	-	-	-	100	193
	Yunnan	22	39	-	305	89	203	657
	Liaoning	-	49	-	120	-	-	169
	Tianjin	32	14		-	-	-	46
	Jilin	31	9	-	50	-	370	460
	Fujian	-	38	-	-	-	-	38
	Tibet	30	-	-	-	-	-	30
	Zhejiang	-	31	-	-	-	-	31
	Hunan	-	17	-	-	-	-	17
	Guangxi	-	15		-	-	400	415
	Sichuan	-	12		-	-	-	12
	Shanghai	-	2	-	-	-	-	2
	Heilongjiang	-	1	-	-	-	300	301
	Chongqing	-	8		-	56	-	64
	Beijing	-	1		-	-	-	1
	Gansu	-	-	-	-	-	50	50
	Others	-	-	-	-	263	-	263
Australia	Whyalla	6			-	-	-	6
Total (MW)		2,643	1,105	1,270	2,226	544	5,095	
	Total (MW)		5,018			7,865		12,883

Source: GLH Research; Company filings.

Figure 2: Company's Financials 2024 – 2028E.

Unit: Million RMB	2024	1H25	2H25	2025	1H26	2H26E	2026E	2027E	2028E
Revenues	4,423	2,400	2,009	4,409	2,131	1,875	4,006	4,249	4,557
Cost of sales	-2,402	-1,196	-1,212	-2,409	-1,210	-1,104	-2,314	-2,413	-2,515
Gross profit	2,021	1,203	797	2,000	922	770	1,692	1,835	2,041
Other income and gains, net	243	46	86	132	39	77	116	170	182
Selling and distribution expenses	-4	-2	-2	-4	-1	-3	-4	-4	-4
Administrative expenses	-350	-201	-149	-350	-152	-133	-285	-302	-324
Other operating expenses, net	-75	-1	-183	-184	-68	-171	-239	-170	-182
Operating Income	1,835	1,046	548	1,594	739	541	1,280	1,529	1,713
Finance costs	-1,147	-559	-407	-965	-440	-471	-910	-1,020	-1,094
Share of profits of:									
Joint ventures	-1	5	-40	-35	6	-47	-41.0	-5.1	-5.5
Associates	-27	12	-2	10	16	-3	13	13	14
Profit Before Tax	659	504	99	603	321	20	342	517	627
Income tax expense	-196	-111	-91	-201	-74	-12	-86	-172	-209
Profit for the period	463	393	9	402	248	8	256	345	419
Profit Attributable to Non-controlling interests	179	106	67	173	93	62	155	161	173
Profit Attributable to Equity holders of the Company	284	287	-58	229	154	-54	100	184	246

Source: GLH Research; Company filings.

Figure 3: Peer Valuation Analysis.

				Diluted EPS			P/E		
Company	Ticker	Market Cap	Price	2026E	2027E	2028E	2026E	2027E	2028E
China Yangtze Power Co., Ltd.	SHSE:600900	681,440	27.85	1.41	1.48	1.54	19.8x	18.8x	18.1x
CHN Energy Changyuan Electric Power Co.,Ltd.	SZSE:000966	13,959	4.01	-0.02	0.17	0.17	-	23.6x	23.6x
Chongqing Three Gorges Water Conservancy and Electric Power Co., Ltd.	SHSE:600116	11,855	6.20	0.23	0.28	0.32	27.0x	22.1x	19.4x
Huaneng Lancang River Hydropower Inc.	SHSE:600025	178,486	9.58	0.45	0.47	0.50	21.3x	20.4x	19.2x
China National Nuclear Power Co., Ltd.	SHSE:601985	183,261	8.91	0.45	0.38	0.48	19.8x	23.4x	18.6x
China Longyuan Power Group Corporation Limited	SEHK:916	44,850	5.37	0.62	0.50	0.70	8.7x	10.7x	7.7x
China Resources Power Holdings Company Limited	SEHK:836	96,759	18.69	2.80	2.40	2.49	6.7x	7.8x	7.5x
						Median	20x	20x	19x
						Mean	17x	18x	16x
Shandong Hi-Speed New Energy Group Limited	SEHK:1250	2,336	1.04	0.05	0.08	0.11	21x	13x	9x

Notes:
1. Data as of 9/7/2026.
2. For A Share, market price and diluted EPS are in RMB; for H Share, market price and diluted EPS are in HKD.
3. Diluted EPS are in calendar year and estimates are provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings; Capital IQ.

ABOUT THE ANALYSTS

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Chujie (Jack) Sun is a Senior Research Analyst at Gelonghui Research. Since 2017, Jack has served as the Investment Analyst in China Alpha Fund Management (Hong Kong) Limited, TMT Analyst in First Shanghai Group, and TMT Analyst at Gelonghui Research. Focusing on TMT sector, Chinese companies listed in the US, Hong Kong, and etc., and he specializes in both buy-side and sell-side equity research. Jack holds a B.A. in Economics from Ohio State University (Columbus) and an M.S. in Finance from City University of Hong Kong.

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Yuecong (Marco) Zhang is a Senior Research Analyst at Gelonghui Research. Marco previously held the position of Senior Research Analyst at Watertower Research, Executive Director at Valuable Capital Group's Investment Banking Department, Vice President at Guosen Securities (HK), and Senior Associate at Roth Capital Partners, where he completed more than 35 transactions, including IPOs, follow-on offerings, and M&A, with a total transaction value of more than US$3.5 Billion+ for mid-cap companies from China and the US. During his time at Roth, he led six NASDAQ and NYSE IPOs for Chinese clients, with a total transaction value of more than US$260 Million. Marco holds a B.S. in Financial Management from North China Electric Power University and an M.S. in Applied Finance from Pepperdine University.

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