



山高新能源集團有限公司

SHANDONG HI-SPEED NEW ENERGY GROUP LIMITED

(formerly known as Beijing Enterprises Clean Energy Group Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01250

ANNUAL REPORT 2022



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xiaodong (*Chairman*)
Mr. Zhu Jianbiao
Mr. Wang Wenbo
Mr. Sun Qingwei
Ms. Liao Jianrong
Mr. Li Li
Mr. He Yongbing
Ms. Ai Yan

Independent Non-executive Directors

Professor Shen Zuojun
Mr. Victor Huang
Mr. Yang Xiangliang
Mr. Chiu Kung Chik

AUDIT COMMITTEE

Mr. Victor Huang (*Chairman*)
Mr. Yang Xiangliang
Mr. Chiu Kung Chik

NOMINATION COMMITTEE

Mr. Wang Xiaodong (*Chairman*)
Professor Shen Zuojun
Mr. Yang Xiangliang

REMUNERATION COMMITTEE

Mr. Chiu Kung Chik (*Chairman*)
Ms. Liao Jianrong
Mr. Victor Huang

COMPANY SECRETARY

Mr. Cheung Chin Wa

STOCK CODE

1250

WEBSITE

www.shneg.com.hk

INVESTOR RELATIONS CONTACT

Email Address: ir@shneg.com.hk

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 6707
67th Floor, The Centre
99 Queen's Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

LEGAL ADVISERS AS TO HONG KONG LAW

Li & Partners
22/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong and Macau:
Agricultural Bank of China Limited, Macao Branch
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
Crédit Agricole Corporate and Investment Bank,
Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch
Tai Fung Bank Limited
Standard Chartered Bank (Hong Kong) Limited

In Mainland China:
Bank of China Limited
Bank of Ningbo Co., Ltd
China Construction Bank Corporation
China Development Bank
China Everbright Bank Co., Ltd
China Guangfa Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
Ping An Bank Co., Ltd.
Postal Savings Bank of China Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.



Listed on the main board of The Stock Exchange of Hong Kong Limited.

* Only projects held by the Group's subsidiaries and in operation with capacity of 50MW or above are disclosed.

Note: The above group structure only lists out major projects held by the Group's subsidiaries and in operation.

Chairman's Statement

Dear Shareholders,

The year of 2022 was a milestone year for Shandong Hi-Speed New Energy Group Limited together with its subsidiaries, collectively, (the "Group"). On 19 May, 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 "SDHG"), became the single largest shareholder of the Company by completing the of 43.45% of the Company's shareholding in the form of subscription for new shares. On the same day, the board of transfer directors of the Company was re-elected and a new board of directors was formed, marking that the Company has officially become a member of Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), and the Company has thus embarked on a new journey of development and entered a new stage of steady and sound development.

NEW DEVELOPMENT WITH NEW SHAREHOLDERS' EMPOWERMENT

Since entering a new stage, Shandong Hi-Speed Holdings Group, the controlling shareholder, has provided the Company with strong empowerment in terms of capital, resources, brand name and mechanism, which has broken down the barriers to the Company's sustainable development and enabled the Company's underlying development with fundamentally turned around, presenting a new image of vibrant and energetic development.

Capital empowerment, helping the growth of new financing. Shandong Hi-Speed Holdings Group's capital injection of \$4.7 billion enabled the Company to significantly reduce its liquidity risk, directly improve its asset to debt ratio, initially restore its refinancing and further development capabilities, and basically eliminate short-term operational risks, clearing obstacles and laying the foundation for further incremental development;

Resources empowerment, helping the development of new project. SDHG led the Company to accelerate its integration into the ecosystem of Shandong Hi-Speed Group and SDHG relying on the industrial advantages of state-owned enterprises in Shandong Province and the resources of local governments and businesses, the Company successively landed or implemented various wind and light projects, such as Dingtao in Heze, Huantai in Zibo, Chengyang in Qingdao and service areas of Beijing-Taipei Expressway Jinan Service Area* (京台高速濟南服務區) (the Company's first highway photovoltaic project), and started construction of large centralised projects such as Wuxiang in Shanxi and Tongshan in Hubei;

Brand empowerment, helping new image upgrade. Shandong Hi-Speed Group, the parent company of the controlling shareholder, is a Fortune 500 company with total assets exceeding RMB 1.3 trillion and has strong brand influence and competitiveness. On 27 June 2022, the Group officially changed its name to "Shandong Hi-Speed New Energy Group Limited" and domestic A-share listed company in which the Group holds shares, BECE Legend Group Co., Ltd, changed its name to Shandong Hi-Speed Renewable Energy Co., Ltd, demonstrating a flourishing brand image that continues from the past and open up to the future;

Mechanism empowerment, to help improve efficiency. To address the problems of unstable development and prominent risks in the early stage of the Company, the management structure and organisation were reshaped after scientific investigation, and a series of supporting optimisation measures for the authorisation system, process approval and operation mechanism were introduced to enhance the efficiency and effectiveness of the organisation's operation and stabilise the basic foundation of the Company's development.

MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT OF THE GROUP

Under the leadership of the new board of directors, the Company has anchored its new positioning as the main force of Shandong Hi-Speed Group's emerging industries and the flagship of new energy, strengthened its internal management and control, and expanded its external market, and achieved a series of fruitful reforms and development results:

The Group improved the governance structure and the Company operated more scientifically and efficiently. SDHG, in collaboration with key shareholders such as Beijing Enterprises Water Group, CITICPE and TUS, further clarified the Company's development philosophy and jointly empowered the Company's development through diversified scenarios such as "Big Transportation" and "Big Environmental Protection"; improved the corporate governance mechanism and authorised supervision mechanism, and gave full play to the core role of the board of directors in corporate governance as the leading and decision-making body, and has established a management committee under the authority of the board of directors, and an operation committee and professional committees on risk, safety and investment decisions under the authority of the management committee, thereby establishing a market-oriented governance and management mechanism, with a clearer management division of labour and smoother and more powerful internal coordination.

The Group strengthened strategic management and control, with clearer strategic development direction. The Company focused on enhancing its ability to formulate, implement, review and correct strategic planning. Relying on the advantages of shareholders' resources and the experience of its management team, the Company employed experts and academicians as its strategic consultants, to actively respond to the opportunities arising from the country's energy transformation, seize the opportunities of quality market projects and steadily promote the investment, construction and operation of photovoltaic power generation, wind power generation and clean energy heating projects, thus strengthening its strategic positioning as a wind and light business and a first-class integrated operator and service provider of new energy.

The Company has resolved existing risks and achieved substantial progress. The Company has concentrated its advantageous resources on solving historical legacy problems and has established a leading group for risk resolution of existing assets at the corporate level to conduct regular tracking and scheduling. It strongly protects the Company's vital interests and ensures the maximum benefit for the Company.

With the solid foundation management, the operating performance has transformed, the core team has remained stable, and the safety production is remained in good condition. The Company's annual power generation volume increased steadily and several departments collaborated to complete the national subsidy verification as scheduled, and received a record high of approximately RMB3.1 billion of national renewable energy subsidy funding support. Key operating data such as net profit rebounded and continued to improve. The Company has attached great importance to the development of talents, optimised the performance-oriented human resources management system, firmly implemented the market-oriented incentive system in the distribution of benefits, and established a clear performance-oriented assessment orientation, which has maintained the stability of the core team, the business backbone, the operation and management of the existing wind and photovoltaic power projects. The Company continued to enhance safety production control, to manage safety works with a strong sense of reverence, and to implement the responsibility system of safety production for all employees, so as to maintain a long-term of safe production situation.

Chairman's Statement

PERFORMANCE

In 2022, the Group focused on the electricity sales business, which has strong sustainability, and actively expanded the entrusted power operation and maintenance service and other electricity-related professional service projects, with a view to building an excellent operating brand. As of 31 December 2022, the Group recorded a revenue of approximately HK\$5,296.2 million and gross profit margin of 48.3%, representing a decrease of approximately HK\$727.2 million and increase of approximately 5.5% as compared with the corresponding period of the last year. The profit of the Group for the period was approximately HK\$225.8 million, compared with a loss of approximately HK\$288.8 million in the same period last year. In 2022, the profit attributable to the equity holders of the Company was approximately HK\$258.2 million, compared with a loss of approximately HK\$321.3 million in the same period last year.

In 2022, the aggregate operating power generation (as hereinafter defined) of the projects held and/or managed by the Group, its associates and joint ventures was approximately 6.1 million megawatt-hour ("MWh"), representing an increase of approximately 5% with the corresponding period of the last year.

In terms of the centralised photovoltaic power related business, as of 31 December 2022, the aggregate on-grid installed capacity of the centralised photovoltaic power plants held by the Group reached approximately 2,369 megawatt ("MW"), mainly in Anhui Province, Shandong Province, Hebei Province, Henan Province and other provinces which are classified as photovoltaic resource areas II and III as promulgated by the NDRC. The weighted average utilisation hours of centralised photovoltaic power plant projects held by the Group and in operation for the period reached 1,264 hours.

In terms of the distributed photovoltaic power related business, as of 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, mainly located in photovoltaic resource area III as promulgated by the NDRC.

In terms of the wind power related businesses, As of 31 December 2022, the aggregate installed capacity of on-grid wind power plants held by the Group was approximately 588 MW, which were located in Hebei Province, Henan Province, Shandong Province and the Inner Mongolia Autonomous Region, and mainly situated in wind resource area IV as promulgated by the NDRC. The weighted average utilisation hours of the wind power plants which were held by the Group and in operation during the period reached 2,464 hours.

In terms of the clean heat supply businesses, as of 31 December 2022, the Group's clean heat supply area in operation reached approximately 40 million square meters. During the period, the number of clean heat supply service users was approximately 230,000 households, and the projects were located in Henan Province, Shanxi Province, Shaanxi Province, the Ningxia Hui Autonomous Region, Liaoning Province and other provinces and autonomous regions.

FUTURE OUTLOOK

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

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

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

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

Chairman's Statement

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

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

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

Chairman's Statement

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.

In closing, on behalf of the Board, I would like to express our sincere gratitude to the shareholders, customers and business partners rendering trust and support to the Group, and our heartfelt thanks to all the employees for their arduous work.

Wang Xiaodong

CHAIRMAN

Hong Kong, 30 March 2023

* *For identification purposes only*

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW

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

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

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

Financial highlights:

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

1. BUSINESS REVIEW (CONTINUED)

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

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

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

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

1.1 Sale of Electricity and Entrusted Operation Services

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

[#] 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.

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

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.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

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

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

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

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.1 Photovoltaic Power Projects

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

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

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

Location	Photovoltaic resource area	2022			2021		
		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

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.1 Photovoltaic Power Projects (Continued)

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

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:

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

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

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

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

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

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.1 Photovoltaic Power Projects (Continued)

(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 (<i>hours</i>)	1,264	1,259	5 hours

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

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

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

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

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.1 Photovoltaic Power Projects (Continued)

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

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

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

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

(d) *Entrusted operation services*

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

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.2 Wind Power Plant Projects

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

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

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

Location	Wind resource area	Number of Plants	2022		2021		
			Approximate total on-grid capacity (MW)	Approximate aggregate power generation (Note 1) (MWh)	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

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.2 Wind Power Plant Projects (Continued)

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

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 are projects analysis by wind resource areas:

Wind resource area	2022		2021		Wind resource area (Note 1) (MWh)	
	Number of Plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (Note 1) (MWh)	Approximate total on-grid capacity		Approximate aggregate power generation (MW)
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.

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operation Services (Continued)

1.1.2 Wind Power Plant Projects (Continued)

(c) Entrusted operation services

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

1.2 Engineering, Procurement and Construction and Technical Consultancy Services

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

1.3 Provision of Clean Heat Supply Services

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

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

1. BUSINESS REVIEW (CONTINUED)

1.3 Provision of Clean Heat Supply Services (Continued)

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	31 December	Change	31 December	31 December	Change
	2022	2021		2022	2021	
	('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.

Management Discussion and Analysis

31 December 2022

1. BUSINESS REVIEW (CONTINUED)

1.4 Other New Energy Related Service (Continued)

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

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

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

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

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

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

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

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

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

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

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

Management Discussion and Analysis

31 December 2022

2. FINANCIAL PERFORMANCE (CONTINUED)

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. FINANCIAL PERFORMANCE (CONTINUED)

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* (北控城投控股集团有限公司), 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.

Management Discussion and Analysis

31 December 2022

2. FINANCIAL PERFORMANCE (CONTINUED)

2.15 Trade and bills receivables

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

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

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

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

2.17 Cash and cash equivalents

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

2.18 Trade and bills payables

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

2.19 Other payables and accruals

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

2. FINANCIAL PERFORMANCE (CONTINUED)

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.

Management Discussion and Analysis

31 December 2022

2. FINANCIAL PERFORMANCE (CONTINUED)

2.23 Liquidity and financial resources (Continued)

(b) The SDHG Subscription

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

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

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

Proposed use of the net proceeds raised	For the year ended 31 December 2022		
	Net proceeds raised HK\$100 million	Net proceeds raised – Utilised HK\$100 million	Net proceeds raised – Unutilised 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	–

2. FINANCIAL PERFORMANCE (CONTINUED)

2.23 Liquidity and financial resources (Continued)

(b) The SDHG Subscription (Continued)

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.

Management Discussion and Analysis

31 December 2022

3. MATERIAL ASSETS REORGANISATION (CONTINUED)

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

- i. SEC Electric will transfer all of its assets and liabilities (other than assets of SEC Electric that SEC Electric will not transfer to its subsidiary Wuxi SEC Electric Technology Co., Ltd.* (無錫中電電機科技有限公司) (the “**Disposed SEC Electric Subsidiary**”) upon the completion of the Proposed Reorganisation (the “**Retained Assets of SEC Electric**”) to the Disposed SEC Electric Subsidiary, and will use 60% of the equity interests of the Disposed SEC Electric Subsidiary to exchange for 3.11% of the equity interests held by Tianjin Fuqing in Beiqing Smart. Tianjin Fuqing will purchase the remaining 40% equity interests in the Disposed SEC Electric Subsidiary for cash consideration of RMB254,400,000;
- ii. Tianjin Fuqing and the Other Beiqing Smart Shareholders will sell the Other Beiqing Smart interest, representing 96.89% of the equity interests in Beiqing Smart, to SEC Electric for RMB11,876,598,100, which will be satisfied by SEC Electric by way of the issuance of an aggregate of 1,175,900,807 new SEC Electric shares at the issue price of RMB10.10 per SEC Electric share to each of Tianjin Fuqing and the Other Beiqing Smart Shareholders; and
- iii. the Existing SEC Electric Shareholders, will transfer 31,304,347 existing SEC Electric shares which held by them at the consideration of RMB12.19 per SEC Electric share, representing the 13.31% of the equity interests in SEC Electric to Tianjin Fuqing for the aggregate consideration of approximately RMB381,600,000, which will be satisfied by Tianjin Fuqing procuring SEC Electric to transfer 60% of the equity interests in the Disposed SEC Electric Subsidiary to the Existing SEC Electric Shareholders or the nominee designated by the Existing SEC Electric Shareholders. The Existing SEC Electric Shareholders will also acquire the remaining 40% of the equity interests in the Disposed SEC Electric Subsidiary from Tianjin Fuqing for a cash consideration of RMB254,400,000.

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

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

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

4. CHARGE ON THE GROUP'S ASSETS

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

- i. pledges over certain of the Group's property, plant and equipment and operating concessions;
- ii. pledges over certain of the Group's trade receivables and contract assets;
- iii. pledges over the Group's equity interests in certain subsidiaries and an associate;
- iv. guarantees given by the Company and/or its subsidiaries; and/or
- v. pledges over certain of the Group's bank balances.

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

5. CONTINGENT LIABILITIES

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

6. FOREIGN EXCHANGE EXPOSURE

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

7. EMPLOYEES AND REMUNERATION POLICIES

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

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

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

Management Discussion and Analysis

31 December 2022

9. PRINCIPAL RISKS AND UNCERTAINTIES

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

Fluctuation in currency exchange rates

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

Liquidity risk

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

Policy risks

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

Other business risks

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

10. CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

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

10. CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Compliance with relevant laws and regulations

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

Relationship with stakeholders

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

- (a) Employees : The Group places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.
- (b) Shareholders and investors : Details of which are set out in the section headed “Investor Relations” in the “Corporate Governance Report” of this annual report.
- (c) Customers : The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures for handling customers’ complaints to ensure customers’ complaints are dealt with in a prompt and timely manner.
- (d) Suppliers and contractors : The Group is dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

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

* For identification purposes only

Directors' Profile

31 December 2022

EXECUTIVE DIRECTORS

Mr. Wang Xiaodong

Mr. Wang Xiaodong ("Mr. Wang"), aged 47, has been appointed as an executive director, the chairman of the board of directors, the chairman and a member of the nomination committee of the Company on 19 May 2022. Mr. Wang is currently serving as an executive director of Shandong Hi-Speed Holdings Group Limited (formerly known as China Shandong Hi-Speed Financial Group Limited, "SDHG", a company listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 412), the chairman of the board of directors of SDHG, the chairman and a member of the nomination committee of SDHG, and the chairman and a member of the executive committee of SDHG. Mr. Wang is also a director of certain subsidiaries of SDHG.

Mr. Wang currently serves as an executive director of Shandong Hi-Speed Group Co., Ltd.* ("Shandong Hi-Speed Group"). He successively held various major positions in Shandong Hi-Speed Group and has over 20 years of working experience in management and in-depth knowledge in corporate governance. Mr. Wang holds a master's degree in software engineering from Tianjin University.

Mr. Zhu Jianbiao

Mr. Zhu Jianbiao ("Mr. Zhu"), aged 49, has been appointed as an executive director of the Company on 19 May 2022. He currently serves as the vice chairman of the board, an executive director, the chairman and a member of the strategic development committee and a member of the executive committee of SDHG.

Mr. Zhu has been an independent non-executive director of Beijing Energy International Holding Co., Ltd (北京能源國際控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 686) since June 2021. Mr. Zhu has been an independent non-executive director of IPE Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 929) since November 2022.

Mr. Zhu has graduated from Jiangxi University of Finance and Economics, with a bachelor's degree in economics, and holds a master's degree and a doctorate degree in finance from Jinan University. Mr. Zhu has over 20 years of experience in private equity investment, secondary market investment and financial management, and served as the chief operating officer of CITIC Private Equity Funds Management Co., Ltd., the executive deputy general manager of Changsheng Fund Management Co., Ltd., etc. Mr. Zhu was previously a lecturer of the Faculty of Investment and Finance of Guangdong University of Finance and Economics.

Mr. Wang Wenbo

Mr. Wang Wenbo ("Mr. Wang"), aged 53, has been appointed as an executive director of the Company on 19 May 2022. He is currently a non-executive director of SDHG and a member of the audit committee of SDHG. Mr. Wang holds a bachelor's degree in vacuum technology and equipment from Hefei University of Technology and a master's degree of arts in international economic and trade relations jointly granted by Nankai University and Flinders University of South Australia. He is a senior economist with in-depth knowledge in investment and legal fields.

Mr. Wang joined Shandong Hi-Speed Group since January 2001 and worked in various branches and departments in Shandong Hi-Speed Group. He assumed management positions in core departments of Shandong Hi-Speed Group such as the head of key project monitoring office, deputy chief of the audit and legal affairs and the director of fixed assets management office. Since 2020, he has been serving as the director of investment development department (property management department) of Shandong Hi-Speed Group, during which he accumulated extensive experience in corporate management.

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Sun Qingwei

Mr. Sun Qingwei ("Mr. Sun"), aged 38, has been appointed as an executive director of the Company on 19 May 2022. He also serves as a director of certain subsidiaries of the Company. He is currently the chief operating officer and a member of the executive committee of SDHG. Mr. Sun also serves as a director of certain subsidiaries of SDHG.

Mr. Sun joined Shandong Hi-Speed Group in 2011 and has held various positions including deputy director of Shandong Hi-Speed Group's office, member of the deputy general manager of Shandong Hi-Speed Investment Holding Company Limited, with extensive experience in corporate management and corporate governance. Mr. Sun graduated from the School of Journalism and Communication of Wuhan University majoring in communication and obtained a master's degree.

Ms. Liao Jianrong

Ms. Liao Jianrong (whose former name is 廖劍榮) ("Ms. Liao"), aged 52, has been appointed as an executive director and a member of the remuneration committee of the Company on 19 May 2022. She is currently an executive director of SDHG and a member of the executive committee of SDHG. Ms. Liao has more than 20 years of experience in administration and human resource management, financial management and bank management sectors. She has also acquired knowledge in investment and financing management and has deep insights into the economic development.

Ms. Liao worked for several companies and entities such as Yongzhou Municipal Committee Policy Research Office* (永州市委政策研究室) and Bank of Changsha Co., Ltd.* (長沙銀行股份有限公司). Ms. Liao was an executive director of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 572), during February 2022 to April 2022. She was an executive director of SDHG during May 2019 to May 2020.

Ms. Liao has obtained a bachelor of national economic management from the Xiangtan University* (湘潭大學) in China in June 2003 and a master of business administration from City University of Macau (formerly known as Asia International Open University (Macau)) in November 2008. She has been admitted as certified public accountant in the PRC in May 1996.

Directors' Profile

31 December 2022

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Li Li

Mr. Li Li ("Mr. Li"), aged 57, has been appointed as an executive director of the Company on 19 May 2022. Mr. Li has been serving as an executive director of Beijing Enterprises Water Group Limited ("BEWG"), a company listed on the main Board of the Stock Exchange (Stock Code: 371) since February 2014 and the chief operating officer of BEWG since 30 March 2016. Mr. Li joined BEWG in October 2010. Since 1 August 2022, Mr. Li has been re-designated from a non-executive director to an executive director of Beijing Enterprises Urban Resources Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3718).

Prior to joining BEWG, Mr. Li was a senior engineer, a technical quality director and vice president of the Mechanical Industry First Design & Research Institute Company Limited (currently known as Zhong Ji First Design & Research Institute Company Limited). Mr. Li held various key positions of Beijing Sound Environmental Group Company Limited* (北京桑德環保集團有限公司) from 2001 to 2010. He has extensive experience in investment, construction and operation in water industry.

Mr. Li graduated from Xi'an Jiaotong University in mechanical engineering and obtained a doctor of philosophy in engineering at School of Environment, Tsinghua University. He is a Senior Engineer and qualified Senior Project Manager.

Mr. He Yongbing

Mr. He Yongbing ("Mr. He"), aged 54, has been appointed as an executive director of the Company on 19 May 2022. Mr. He is currently serving as the managing director, chief investment officer and a member of the investment committee of Beijing Panmao Investment Management Co., Ltd.* (北京磐茂投資管理有限公司). From 2007 to 2008, Mr. He served as responsible officer of the finance and equity section of the investment management department of China Life Insurance Company Limited (中國人壽保險股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 2628).

Mr. He has graduated from Beijing Jiaotong University with a master's degree in economics. Mr. He is a certified public accountant in the PRC and a qualified asset valuer in the PRC.

Ms. Ai Yan

Ms. Ai Yan ("Ms. Ai"), aged 36, has been appointed as an executive director of the Company on 19 May 2022. Ms. Ai has extensive experience in investment, financing and merger and acquisitions etc. She has joined Tus-Holdings Co., Ltd. ("Tus-Holdings") in 2015, she is currently the legal director of Tus-Holdings. Prior to joining Tus-Holdings, Ms. Ai worked in reputable law firms for years.

Ms. Ai Yan has graduated from Xi'an International Studies University with a bachelor's degree in law and hold a master's degree in law from Vrije University Amsterdam.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Shen Zuojun

Professor Shen Zuojun ("Professor Shen"), aged 52, has been appointed as an Independent non-executive director and a member of the nomination committee of the Company on 19 May 2022. Professor Shen is the vice-president and pro-vice-chancellor (research) of the University of Hong Kong ("HKU"). Professor Shen is appointed as chair professor jointly in the Faculty of Engineering (Industrial and Manufacturing Systems Engineering) and the Faculty of Business and Economics of the HKU. He is also the Dean of Graduate School, Acting Director of Technology Transfer Office and Director of HKU Musketeers Foundation Institute of Data Science. He is also an honorary professor of Tsinghua University.

He started his academic career as Assistant Professor at the University of Florida in 2000, and joined the University of California, Berkeley in 2004, where he rose through the academic ranks to become Chancellor's Professor and Chair of the Department of Industrial Engineering and Operations Research and Professor of the Department of Civil and Environmental Engineering. He was also a Centre Director at the Tsinghua-Berkeley Institute in Shenzhen and an Honorary Professor at Tsinghua University.

With research interests in the areas of logistics and supply chain management, data-driven decision making, and system optimization, Professor Shen's research programs cut through businesses, energy systems, transportation systems, smart city, healthcare management, and environmental protection. He has worked closely with industries and has a strong track record of securing major research grants from the government agencies and private companies. Doctor of philosophy students he mentored now hold positions in top universities in North America, Europe, and China as well as in leading technological companies worldwide.

Professor Shen is an internationally recognised top scholar in the field and is a Fellow of the Institute for Operations Research and the Management Sciences ("INFORMS"), the President-Elect of the Production and Operations Management Society, and a former President of the Society of Locational Analysis of INFORMS.

Professor Shen has obtained his doctor of philosophy in 2000 and master of industrial engineering and management sciences in 1998 from Northwestern University. He also holds a master's degree in mechanical engineering from Tsinghua University in 1996 and a bachelor's degree from Shandong University in 1993.

Directors' Profile

31 December 2022

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Victor Huang

Mr. Victor Huang ("Mr. Huang"), aged 51, appointed as an independent non-executive director, the chairman and a member of the audit committee and a member of the remuneration committee of the Company on 19 May 2022. Mr. Huang has over 30 years of experience in finance, accounting and transaction services. He joined PricewaterhouseCoopers in Hong Kong in January 1993 and became its partner in 2005. During 2014 to 2017, he served as partner at KPMG in Hong Kong.

Mr. Huang currently holds the following positions with companies listed on the Stock Exchange and the Shanghai Stock Exchange respectively:

Company Name	Stock Exchange	Stock Code	Position (Date of Appointment)
COSCO SHIPPING Energy Transportation Co., Ltd	Stock Exchange Shanghai Stock Exchange	1138 600026	Independent non-executive director (22 June 2020)
Topsports International Holdings Limited	Stock Exchange	6110	Independent non-executive director (20 June 2019)
ManpowerGroup Greater China Limited	Stock Exchange	2180	Independent non-executive director (15 March 2019)
Scholar Education Group	Stock Exchange	1769	Independent non-executive director (11 June 2019)
New Times Energy Corporation Limited	Stock Exchange	0166	Independent non-executive director (19 June 2020)
LBX Pharmacy Chain Co., Ltd.	Shanghai Stock Exchange	603883	Independent non-executive director (27 February 2018)
Qingdao Haier Biomedical Co., Ltd.	Shanghai Stock Exchange	688139	Independent non-executive director (21 August 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Victor Huang (Continued)

During February 2020 to November 2020, he served as an independent non-executive director of China Bright Culture Group, a company listed on the Main Board of the Stock Exchange (Stock Code: 1859). During December 2018 to December 2020, he served as an independent non-executive director of Trinity Limited, a company listed on the Main Board of the Stock Exchange and the listing of which was cancelled on 31 October 2022 (Stock Code: 891). During November 2020 to November 2021, he served as an independent non-executive director of Evergrande Property Services Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6666).

Mr. Huang obtained a bachelor's degree of arts in economics and business from University of California, Los Angeles in 1992. He is a member of the Hong Kong Institute of Certified Public Accountants. He is also a qualified independent director of the Shanghai Stock Exchange and is a member of the Hong Kong Independent Non-Executive Director Association.

Mr. Yang Xiangliang

Mr. Yang Xiangliang ("Mr. Yang"), aged 62, has been appointed as an independent non-executive director, a member of the audit committee and a member of the nomination committee of the Company on 19 May 2022. Mr. Yang has been serving as a consultant of the Shandong Province Electricity Association* (山東省電力企業協會) since 2017. He served as the deputy general manager and director of the production safety department of National New Energy Group Co., Ltd. (Shandong Branch)* (國家新能源集團公司山東分公司) from 2007 to 2017 and 2003 to 2004 respectively. Mr. Yang held the position of manager of Shandong Heze Power Plant* (山東荷澤發電廠) during 2004 to 2007. He worked at Shandong Rizhao Power Plant* (山東日照發電廠) as deputy factory manager and chief engineer during 1997 to 2003 and Shandong Zou County Power Plant* (山東鄒縣發電廠) as production supervisor, safety and quality control director and deputy chief engineer from 1982 to 1997.

Mr. Yang holds a doctorate degree in thermal power awarded by North China Electric Power University and graduated from Shandong Industrial Institute* (山東工學院) (currently known as Shandong University) with a bachelor's degree majoring in thermal power in 1982. He was awarded the qualification of Researcher in 2006.

Directors' Profile

31 December 2022

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Chiu Kung Chik

Mr. Chiu Kung Chik ("Mr. Chiu"), aged 38, has been appointed as an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of the Company in 29 July 2016. Mr. Chiu has graduated from the University of Chicago with a bachelor's degree in economics. Mr. Chiu has extensive experience and knowledge in investment banking, including capital financing, corporate restructuring, merger and acquisition, complex transaction structuring for public and private companies, etc. During 2008 to 2015, Mr. Chiu worked with UBS AG in the investment banking department in its Hong Kong office, primarily focusing on advising large scale corporate clients on their capital market activities. During the aforesaid time, he had completed a number of high-profile transactions with over US\$20 billion in total transaction value. He is currently an independent non-executive director of GoFintech Innovation Limited (formerly known as China Fortune Financial Group Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 290).

The changes in the information of the directors of the Company since the publication of the 2022 interim report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Mr. Zhu Jianbiao	<ul style="list-style-type: none">From November 2022, Mr. Zhu has served as an independent non-executive director of IPE Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 929)
Mr. Li Li	<ul style="list-style-type: none">From 1 August 2022, Mr. Li has been re-designated from a non-executive director to an executive director of Beijing Enterprises Urban Resources Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3718)

Save as disclosed above, there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

* For identification purpose only

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2022.

The Company's corporate governance policies and practices are applied and implemented in the manners as stated in the below Corporate Governance Report.

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 Group 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 the interests of the Company and the shareholders as a whole. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to maximise return for shareholders.

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 "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the year ended 31 December 2022.

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 to 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 Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

Role and delegation

The Board is responsible for the leadership and directing and supervising the Group's businesses to enable the long term success of the Group, formulating corporate strategies, strategic goals and strategic decisions, and overseeing and evaluating the Group's performance. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of all material acquisitions and disposals, material contracts, notifiable and/or connected transactions, appointment or reappointment of Directors and the financial performance in pursuit of its strategic goals.

The Board is also responsible for the developing and reviewing the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives.

Besides, the Board has delegated certain functions to the Company's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), further details of which are set out in this report.

All Directors are required to discharge their responsibilities as directors of the Company. All Directors have timely access to all relevant information of the Company and the advice of the management. Any Director may also seek independent professional advice in appropriate circumstances at the Company's expenses upon reasonable request made to the Board.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Board Composition

The Board composition of the Company as at 31 December 2022 and up to the date of this annual report is set out as below:

Directors/ Committees	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Wang Xiaodong ^(Note) (Chairman)	–	–	Chairman
Mr. Zhu Jianbiao ^(Note)	–	–	–
Mr. Wang Wenbo ^(Note)	–	–	–
Mr. Sun Qingwei ^(Note)	–	–	–
Ms. Liao Jianrong ^(Note)	–	Member	–
Mr. Li Li ^(Note)	–	–	–
Mr. He Yongbing ^(Note)	–	–	–
Ms. Ai Yan ^(Note)	–	–	–
Independent non-executive Directors			
Professor Shen Zuojun ^(Note)	–	–	Member
Mr. Victor Huang ^(Note)	Chairman	Member	–
Mr. Yang Xiangliang ^(Note)	Member	–	Member
Mr. Chiu Kung Chik	Member	Chairman	–

Note:

- Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Mr. Wang Wenbo, Mr. Sun Qingwei, Ms. Liao Jianrong, Mr. Li Li, Mr. He Yongbing, Ms. Ai Yan, Professor Shen Zuojun, Mr. Victor Huang and Mr. Yang Xiangliang have been appointed on 19 May 2022.

The Board has met the requirements of Rule 3.10 of the Listing Rules of having at least three independent non-executive Directors (representing at least one-third of the Board). In addition, Mr. Victor Huang, an independent non-executive Director, has the appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The biographical details of the Directors are set out in the section headed "Directors' Profile" in this annual report. Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitments in their biographies. They are also reminded to notify the Company of any change of the information in a timely manner. Save for the relationships (including financial, business, family, and other material and relevant relationships) as disclosed in the biographies of the Directors set out on pages 34 to 40 of this annual report, there are no other relationships among the Board members as at the date of this annual report.

Chairman and Chief Executive Officer

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 ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and 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. On 19 May 2022, Mr. Wang Xiaodong has been appointed as executive Director and Chairman. Mr. Yang Guang resigned as an executive Director and CEO on 19 May 2022. Following the resignation of Mr. Yang Guang, the Company has been identifying a suitable candidate to the position of CEO.

BOARD OF DIRECTORS (CONTINUED)

Chairman and Chief Executive Officer (Continued)

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 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.

The Chairman has executive responsibilities, provide leadership to, and oversee the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. With the support of the executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received, in a timely manner, the accurate, clear, complete and reliable information. The Chairman promotes a culture of openness and actively encourage Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders of the Company and other stakeholders as outlined in this annual report.

Independent non-executive Directors

The Board considers that the independent non-executive Directors can provide independent advices and exercise independent judgement on the Company's business strategies, performance, management, performance reporting and connected transactions (if any) so as to safeguard the interests of the Company and its shareholders.

The Company has received a written annual confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Nomination policy and Board diversity

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedures of appointment and re-appointment of a Director. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders for election as Directors at general meetings or appoint as additional Directors to the Board or Directors to fill casual vacancies in accordance with the Nomination Policy. In the nomination process, the Nomination Committee shall consider candidates from a wide variety of backgrounds, identify and nominate potential candidates and makes recommendations for the Board's consideration and approval.

When assessing the suitability of a proposed candidate for directorships, the Nomination Committee shall consider the following factors:

- accomplishment and experience in the industry, in particular, in the clean energy segment;
- reputation for integrity;
- commitment in respect of available time and relevant interest;
- merit and contribution will bring to the Board;
- contribution to diversity of the Board; and
- in the case of independent non-executive Directors, the independence of the candidate.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

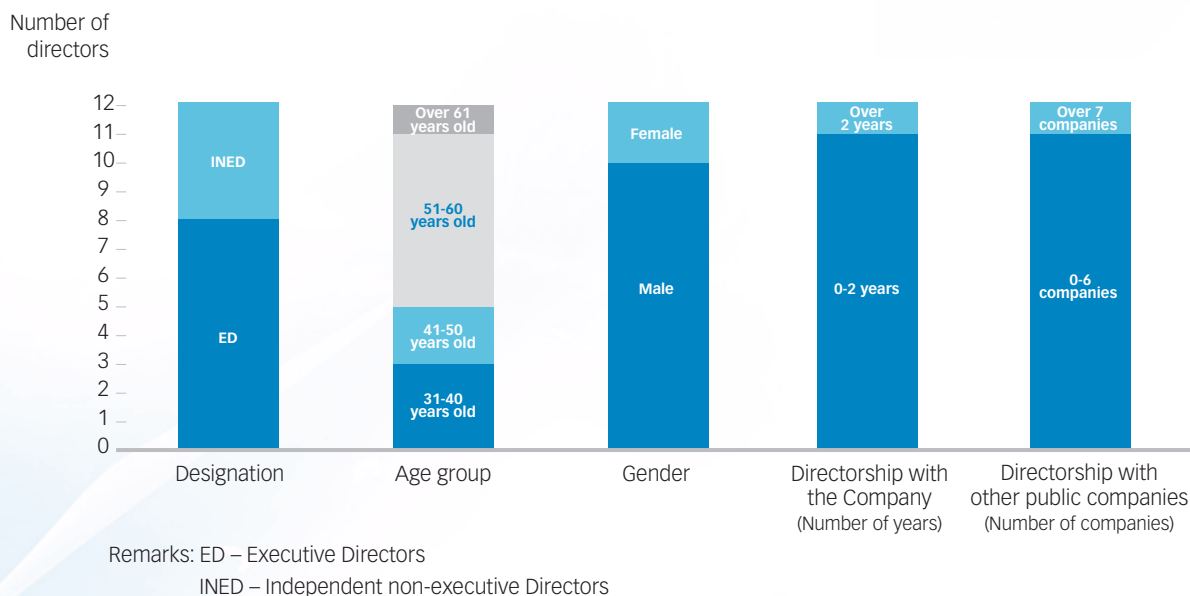
Nomination policy and Board diversity (Continued)

The above factors are for reference only, and not meant to be exhaustive and conclusive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Board also adopted a Board diversity policy (the “Board Diversity Policy”) formulated by the Company in accordance with the requirements of the Listing Rules. During the Year, the Board Diversity policy was updated. It aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Group’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, nationality and ethnicity, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy on annual basis, and the Nomination Policy from time to time to ensure the continued effectiveness of such policies.

As at the date of this annual report, there are twelve Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group’s corporate strategies and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee.

The illustration of the Board diversity as at 31 December 2022 is shown below while the detailed biographies (including their roles, function, skills and experience) are set out in this annual report under the section headed “Directors’ Profile”.



BOARD OF DIRECTORS (CONTINUED)

Nomination policy and Board diversity (Continued)

The Board currently has two female Directors out of twelve Directors. The Board targets to maintain at least the current level of female representation. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

In terms of implementing the Board Diversity Policy, there are the following measurable objectives:

1. The number of independent non-executive Directors shall be no less than three and at least one-third of the Board of Directors.
2. At least one independent non-executive Director shall have appropriate professional qualifications or appropriate accounting or related financial management expertise.
3. Ensuring the Board is composed of members of different genders.

During the Reporting Period, the Board has achieved measurable targets under the Board Diversity Policy.

As at 31 December 2022, the Group maintained a 75:25 ratio of men to women in the workplace. The Company is committed to attract a diverse workforce (including but not limited to gender, age, cultural and educational background, skills, knowledge and experience) and to create a fair and supportive workplace for the employees.

The Board believes that its composition is well balanced with a strong independent element on the Board, and it has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Group's business, and the directors devote sufficient time and make contributions to the Company that are commensurate with their role and board responsibilities.

Tenure

In accordance with the articles of association of the Company (the "Articles of Association"), all Directors are subject to retirement by rotation. At each annual general meeting, one-third of the Directors for the time being, or, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Any Director appointed by the Board to fill casual vacancy shall hold office only until the first general meeting after appointment. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company.

All Directors (including the independent non-executive Directors) had entered into the letters of appointment or service agreements (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Directors' induction and continuous professional development

Upon appointment to the Board, each newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company, as well as an introduction on the business, operations and development of the Group.

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable statutory and regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Besides, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of reading materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Directors' induction and continuous professional development (Continued)

According to the records maintained by the Company, the Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the Year:

Name of Directors	Corporate Governance/Updates on laws, rules & regulations	
	Reading materials	Attended seminars/briefings
Executive Directors		
Mr. Wang Xiaodong ¹	✓	✓
Mr. Zhu Jianbiao ¹	✓	✓
Mr. Wang Wenbo ¹	✓	✓
Mr. Sun Qingwei ¹	✓	✓
Ms. Liao Jianrong ¹	✓	✓
Mr. Li Li ¹	✓	✓
Mr. He Yongbing ¹	✓	✓
Ms. Ai Yan ¹	✓	✓
Mr. Zhang Tiefu ²	✓	–
Mr. Hu Xiaoyong ³	✓	–
Mr. Yang Guang ²	✓	–
Mr. Shi Xiaobei ²	✓	–
Mr. Tan Zaixing ³	✓	–
Ms. Huang Danxia ²	✓	–
Independent non-executive Directors		
Professor Shen Zuojun ¹	✓	✓
Mr. Victor Huang ¹	✓	✓
Mr. Yang Xiangliang ¹	✓	✓
Mr. Chiu Kung Chik	✓	✓
Mr. Li Fujun ²	✓	–
Mr. Xu Honghua ²	✓	–

Notes:

1. appointed on 19 May 2022
2. resigned with effect from 19 May 2022
3. resigned with effect from 16 May 2022

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference. The terms of reference of these committees stipulating their respective authorities and responsibilities are available on the Company's website.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Victor Huang (chairman), Mr. Yang Xiangliang and Mr. Chiu Kung Chik.

The Audit Committee is mainly responsible for considering all relationships between the Company and the external auditor (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing independently the effectiveness of the Group's financial reporting system, risk management and internal control systems, corporate governance matters and the Company's environmental, social and governance matters whereby the Board had delegated such responsibility to the Audit Committee.

The meetings of the Audit Committee shall be held at least twice a year and when necessary. During the Year, the Audit Committee had held two meetings during which the Audit Committee has performed the following major works:

- reviewed the annual audit service plan of the external auditor in relation to the results of the Group for the year ended 31 December 2021;
- reviewed the results announcements and the financial statements for the year ended 31 December 2021 and for the six months ended 30 June 2022 respectively;
- reviewed the continuing connected transactions of the Group;
- considered and approved the audit work of the external auditor and monitored its independence and objectivity;
- reviewed the business and financial performance of the Company;
- reviewed the effectiveness of the Company's financial reporting system, internal audit function, risk management and internal control systems;
- made recommendation to the Board to put forward a resolution in respect of the reappointment of external auditor at the annual general meeting of the Company;
- reviewed the Company's compliance with the CG Code and environmental, social and governance report; and
- updated the terms of reference.

The attendance of meetings for each member of the Audit Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Auditor's remuneration

The Audit Committee is also responsible for reviewing the non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The remuneration paid or payable to the external auditor of the Company during the Year are set out as below:

Services rendered for the Group	HK\$' million
Audit services#	8.6
Non-audit services*	2.6
Total	11.2

Such services included, among others, the annual audit services of the annual report rendering to the Group and audit services for special projects rendering to certain subsidiaries and associated companies of the Group.

* Such services included, among others, the agreed-upon procedures engagements for the Group's interim report, results announcements review, compliance review relating to continuing connected transactions, consent letter relating to assurance engagement other than audits or reviews of historical financial information, tax advisory services and environmental, social and governance consulting services.

The Audit Committee is satisfied that the non-audit services in 2022 did not affect the independence of the external auditor.

Nomination Committee

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Wang Xiaodong (chairman), Professor Shen Zuojun and Mr. Yang Xiangliang.

The Nomination Committee is responsible for, among other things, reviewing the structure, size and composition of the Board; and formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of Directors and Board succession with reference to the Company's Nomination Policy and Board Diversity Policy from time to time.

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the Year, the Nomination Committee had held one meeting during which the Nomination Committee has performed the following major works:

- considered and made recommendations to the Board on the change of members of Remuneration Committee;
- considered and made recommendations to the Board on the appointment of 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 the appointment of Professor Shen Zuojun, Mr. Victor Huang and Mr. Yang Xiangliang as Independent Non-Executive Directors;
- made recommendations to the Board on the re-appointment of the retiring Directors at the annual general meeting of the Company;
- reviewed the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

- reviewed the Nomination and Board Diversity Policy to complement the Group's corporate strategy;
- assessed the independence of independent non-executive Directors; and
- updated the terms of reference and Board Diversity Policy.

The attendance of meeting for each member of the Nomination Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Remuneration Committee

The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Chiu Kung Chik (chairman), Ms. Liao Jianrong and Mr. Victor Huang.

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management's remuneration. It is also responsible to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals. The remuneration packages are made reference to, among others, the corporate goals, the prevailing market rate, duties, responsibilities and performance of the individual and the results of the Group. No Director is involved in decision of his/her own remuneration.

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the Year, the Remuneration Committee had held two meetings during which the Remuneration Committee has performed the following major works:

- made recommendation to the Board the remuneration package and a discretionary bonus payment of Mr. Zhang Teifu, Mr. Hu Xiaoyong, and Mr. Yang Guang from 1 July 2021 to 28 February 2022 respectively;
- reviewed the terms of service agreements and remuneration packages of 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 the appointment of Professor Shen Zuojun, Mr. Victor Huang and Mr. Yang Xiangliang as Independent Non-Executive Directors;
- reviewed the remuneration policy and structure of the Company;
- reviewed the remuneration packages for executive Directors and senior management of the Company;
- reviewed the remuneration of the independent non-executive Directors; and
- updated the terms of reference.

The attendance of meeting for each member of the Remuneration Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Corporate Governance Report

BOARD AND BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee, the annual general meeting and the extraordinary general meeting held during the Year are set out below:

Name of Directors	Meetings attended/held							
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Adjourned	Extraordinary	Extraordinary
						Annual General Meeting	General Meeting Held on 29 April 2022	General Meeting Held on 24 June 2022
Executive Directors								
Mr. Wang Xiaodong (<i>Chairman</i>) ¹	6/6	-	0/0	-	1/1	1/1	-	1/1
Mr. Zhu Jianbiao ²	6/6	-	-	-	1/1	1/1	-	1/1
Mr. Wang Wenbo ²	6/6	-	-	-	0/1	0/1	-	0/1
Mr. Sun Qingwei ²	6/6	-	-	-	1/1	1/1	-	1/1
Ms. Liao Jianrong ³	6/6	-	-	0/0	1/1	1/1	-	1/1
Mr. Li Li ²	5/6	-	-	-	0/1	0/1	-	0/1
Mr. He Yongbing ²	4/6	-	-	-	0/1	0/1	-	0/1
Ms. Ai Yan ²	6/6	-	-	-	0/1	1/1	-	1/1
Mr. Zhang Tiefu ⁷	5/6	-	-	-	-	-	1/1	-
Mr. Hu Xiaoyong ⁸	3/6	-	1/1	2/2	-	-	0/1	-
Mr. Yang Guang ²	6/6	-	-	0/0	-	-	1/1	-
Mr. Shi Xiaobei ¹⁰	3/6	-	-	-	-	-	0/1	-
Mr. Tan Zaixing ¹⁰	5/6	-	-	-	-	-	1/1	-
Ms. Huang Danxia ¹⁰	4/6	-	-	-	-	-	0/1	-
Independent non-executive Directors								
Professor Shen Zuojun ⁴	3/6	-	0/0	-	0/1	0/1	-	0/1
Mr. Victor Huang ⁵	6/6	1/1	-	0/0	1/1	1/1	-	1/1
Mr. Yang Xiangliang ⁶	6/6	1/1	0/0	-	0/1	0/1	-	0/1
Mr. Chiu Kung Chik	11/12	2/2	-	2/2	1/1	1/1	1/1	1/1
Mr. Li Fujun ¹¹	5/6	1/1	1/1	-	-	-	1/1	-
Mr. Xu Honghua ¹²	3/6	1/1	1/1	2/2	-	-	0/1	-

BOARD AND BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS (CONTINUED)

Notes:

1. has been appointed as an executive Director and the chairman of the Company with effect from 19 May 2022. He has also been appointed as a member and the chairman of the Nomination Committee with effect from 19 May 2022.
2. has been appointed as an executive Director with effect from 19 May 2022.
3. has been appointed as an executive Director with effect from 19 May 2022. She has also been appointed as a member of the Remuneration Committee with effect from 19 May 2022.
4. has been appointed as an independent non-executive Director with effect from 19 May 2022. He has also been appointed as a member of the Nomination Committee with effect from 19 May 2022.
5. has been appointed as an independent non-executive Director with effect from 19 May 2022. He has also been appointed as a member and the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 19 May 2022.
6. has been appointed as an independent non-executive Director with effect from 19 May 2022. He has also been appointed as a member of the Audit Committee and the Nomination Committee with effect from 19 May 2022.
7. has resigned as an executive Director and the chairman of the Company due to his other business commitments with effect from 19 May 2022. He also ceased as a member and the chairman of the Nomination Committee and the authorised representative of the Company under Rule 3.05 of the Listing Rules ("Authorised Representative") with effect from 19 May 2022.
8. has resigned as an executive Director with effect from 16 May 2022 due to his other business commitments. He also ceased as a joint chairman of the Company and a member of the Remuneration Committee with effect from 16 May 2022.
9. has been appointed as a member of the Remuneration Committee with effect from 16 May 2022. He has resigned as an executive Director and the chief executive officer of the Company due to his other business commitments with effect from 19 May 2022. He also ceased as a member of the Remuneration Committee with effect from 19 May 2022.
10. has resigned as an executive Director with effect from 16 May 2022.
11. has resigned as an independent non-executive Director with effect from 19 May 2022. He also ceased as a member and the chairman of the Audit Committee and a member of the Nomination Committee with effect from 19 May 2022.
12. has resigned as an independent non-executive Director with effect from 19 May 2022. He also ceased as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee with effect from 19 May 2022.

During the Year, the Chairman held one meeting with the independent non-executive Directors, without the presence of other executive Directors.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 78 to 82 of the "Independent Auditor's Report" in this annual report.

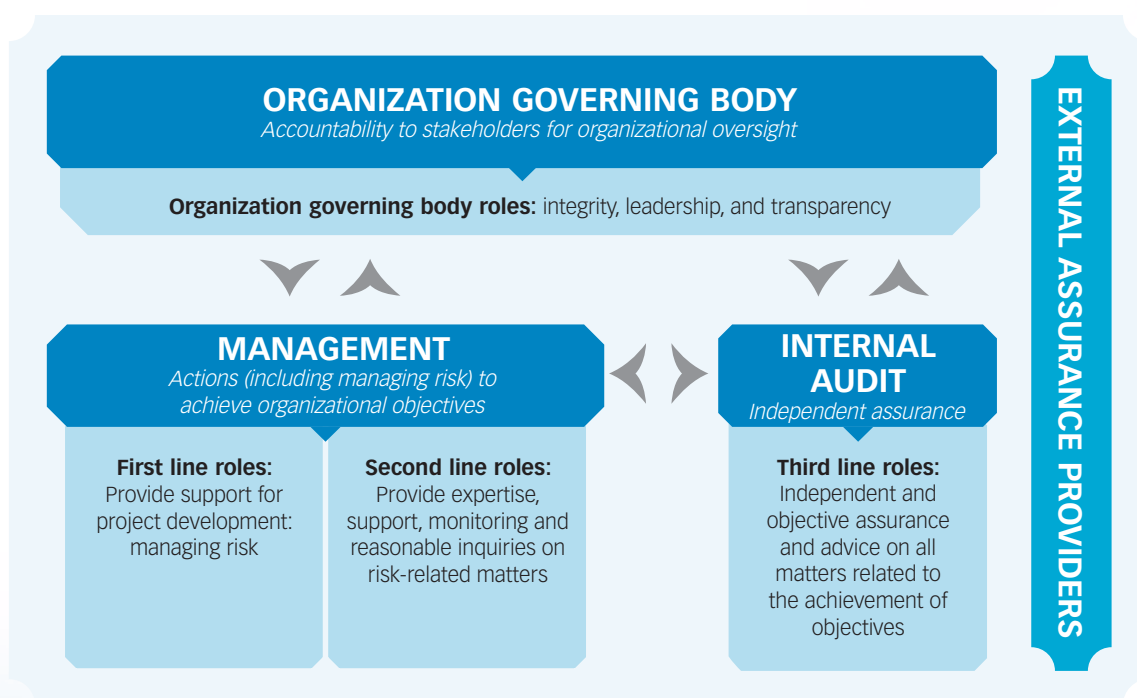
Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for overseeing the risk management and internal control systems on an on-going basis, and reviewing the effectiveness of the Group’s risk management and internal control systems at least annually covering material controls, including financial, operational and compliance key controls, to ensure that the systems in place are adequate and effective, so as to achieve business sustainability of the Group and safeguard the interests of the shareholders of the Company and the assets of the Group.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate structures and processes and effective risk management and internal control systems. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Group’s risk governance structure continued to maintain the “Three Lines Model”. The following diagram illustrates the Group’s risk governance framework:



ILLUSTRATIONS: | ▲ Accountability, reporting | ▼ Delegation, direction, resources, oversight | ↔ Alignment, communication coordination, collaboration

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The Board is the Group's organizational governance body for risk management and internal control, with primary accountability to provide organisation oversight through integrity, leadership and transparency. The Board delegates to its Audit Committee the responsibility to overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group. During the year, the Group has established a management committee, which has been granted the authority by the Board to manage and approve significant matters relating to the Group's operation management and investment and financing. The Board also delegates the responsibility and resources for the ongoing design, implementation and monitoring of risk management and internal control systems, to the management for strategy execution and to achieve the Group's objectives, while legal, regulatory and ethical expectations are met.

The responsibility of management of the Group is to achieve the Group's objectives. Such responsibility comprises both first and second line roles.

First line roles of management (e.g. the management from each business centre and supporting department) have to lead, direct and support operations to achieve the Group's objectives, to manage risk and to ensure compliance with legal, regulatory and ethical expectations. It has to establish and maintain appropriate structures, processes and internal controls for the management of operations and risk. It also has to maintain a continuous dialogue with the governing body and report on outcomes and risks associated with the Group's objectives and business operations.

Second line roles of management provide complementary expertise, support, monitoring and challenge to those with first line responsibilities and risk management-related areas, including the development, implementation and continuously improvement of the risk management practices of the Group at all levels; and the achievement of risk management objectives. It also has to provide analysis and reports on the adequacy and effectiveness of risk management and internal control systems. During the year, the Group established a Risk Management Committee under the management committee, with a dedicated Risk Management Department as the permanent secretariat of the Risk Management Committee and as the centralised management function of risk governance. The Risk Management Department undertakes the coordination and organisation, scheduling and monitoring, and coordination and supervision of the overall risk management of the Company, as well as the implementation of project investment evaluation management, project post-investment tracking management, project post-investment evaluation management, promotion and application of risk management results, and risk management assessment and evaluation, etc., so as to provide decision support for the decision-makers and enable the Company to effectively control various risks.

The audit and supervision department, as the third line roles, assumes the role of internal audit supervision and is accountable to the governing body and independent of management. It is provided with sufficient resources and has unfettered access to people and data needed to complete its work. It provides independent and objective assurance and advice to management and governing body on the adequacy and effectiveness of governance, risk management and internal control systems. It will report its findings, recommendations and remedial measures to management and the governing body to promote and facilitate continuous improvement and rectify deficiencies.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Within this framework, an on-going process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process involves:

- (i) Risk Identification: identify risks that may potentially affect the Group's businesses and operations;
- (ii) Risk Evaluation: consider the impact of risks on the business and the likelihood of their occurrence; and
- (iii) Risk Management: perform on-going and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

The Audit and Supervision Department has conducted an assessment in respect of the risk management and internal controls of the Group for the year ended 31 December 2022 and reported the review results to the Audit Committee. All major findings were also communicated to senior management of the respective business units or departments to enforce the remediation.

In addition, the Company may engage independent consultants to conduct review of the internal control system and risk management of the Group as and when necessary

The Board, through the Audit Committee, has conducted a review on the Group's risk management and internal control systems which covered financial, operational, compliance procedural and risk management functions and internal control matters identified by the Audit and Supervision Department. It also conducted review on the internal audit functions with particular emphasis on the scope and quality of management's on-going monitoring of risks and of the internal control systems and the works of the Audit and Supervision Department. During the annual review, the Audit Committee also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Based on the assessment and information made by the Audit and Supervision Department and management, the Audit Committee considered that the risk management and internal control systems of the Group of the reporting year are effective and adequate.

Whistleblowing

The Group has established whistleblowing procedures and reporting channel for employees to raise concerns to the Audit and Supervision Department when they identify any possible improprieties within the Group. The identity of the whistleblower will be kept in the strictest confidence.

Inside information

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the financial statements in this annual report, respectively.

COMPANY SECRETARY

Mr. Cheung Chin Wa, the company secretary of the Company (the "Company Secretary"), is a full time employee of the Company and has complied with the relevant professional training required under Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM") by shareholders

Pursuant to article 64 of the Articles of Association, the Board may whenever it thinks fit call an EGM. Any one or more shareholders of the Company (including a recognised clearing house (or its nominees)) holding, at the date of deposit of the requisition, in aggregate not less than one tenth of the voting rights at general meetings (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an EGM and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@shneg.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Unit 6707, 67th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

Shareholders who wish to put forward a proposal at an extraordinary general meeting should follow the procedures set out in the sub-section headed "Convening an extraordinary general meeting ("EGM") by shareholders" above.

If a shareholder of the Company wishes to put forward proposals at annual general meeting (the "AGM")/EGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Articles of Association and the Listing Rules:

1. A shareholder of the Company shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/EGM.
2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Unit 6707, 67th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.
3. The period for lodgement of the foregoing notices required under the Articles of Association shall commence on the day after the despatch of the notice of the AGM/EGM and end no later than 7 days prior to the date of the AGM/EGM and such period shall be at least 7 days.
4. The notice will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to consider to include the proposed resolutions in AGM/EGM.

Shareholders of the Company may take reference to the procedures made available under the "Corporate Governance" section ("Procedures for Shareholders to Propose a Person for Election as a Director") of the Company's website.

Corporate Governance Report

INVESTOR RELATIONS

Shareholders Communication Policy

The Board believes that effective and proper investor relations play an important role in creating shareholders value, enhancing the corporate transparency as well as establishing market confidence.

Our Company website is one of the principal communication channels with our shareholders (the “Shareholders”) and potential investors of our Company. Information shall be communicated to shareholders and potential investors mainly through the Company’s financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and corporate communications on the HKEx website and the Company’s website. During the Year, the Company has proactively taken the following measures to ensure effective shareholders’ communication and enhance our transparency:

1. Despatched printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) to Shareholders under the Listing Rules, and Shareholders can choose (or are deemed to have consented) to receive such documents by electronic means through the Company’s website;
2. Annual General Meeting or other general meetings (including extraordinary general meetings) of the Company provides a face-to-face forum for Shareholders to raise questions and comments and exchange their views with the Board;
3. Via the Company’s website at www.shneg.com.hk, Shareholders can obtain updated and key information on the major developments of the Group. Information, such as financial statements, results announcements, circulars, notices of general meetings and all announcements, released by the Company on the HKEx website at www.hkex.com.hk is also posted on the Company’s website immediately thereafter;
4. The Company’s Hong Kong branch share registrar deals with Shareholders on the shareholdings, share registration and related matters for the Shareholders’ enquiries;
5. Shareholders, other stakeholders and public member may at any time direct their enquiries about the Company by writing to the Company’s principal place of business in Hong Kong and by email to ir@shneg.com.hk.
6. Maintained frequent contacts with institutional shareholders and potential investors through various channels such as meetings, telephone and emails; and
7. Updated regularly the Company’s news and developments through the Company’s website.

The above measures will provide them with the latest development of the Group as well as the relevant industry.

The Board reviewed the implementation and effectiveness of the Shareholder Communication Policy in March 2023. During the year under review, the website of the Company was updated on a regular basis in order to maintain an effective ongoing communication with Shareholders. Shareholders could access the latest information and the information released by the Company through the company website. Shareholders were given the face-to-face opportunities to meet and communicate with the Directors and to raise questions, comments and exchange their views with the Board in the annual general meeting and other general meetings. Enquiries from Shareholders were responded within a specific timeframe. Based on the above, the Board was of the view that the Shareholder Communication Policy was effective.

The Chairman of the Board and the chairman of the Audit Committee, Remuneration Committee and Nomination Committee would attend Annual General Meeting and be available to answer questions. The Auditor is also invited to attend Annual General Meeting to answer questions about the conduct of audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence.

INVESTOR RELATIONS (CONTINUED)

Constitutional documents

At the extraordinary general meeting held on 24 June 2022, the Memorandum and Articles of Association was amended by the approval of the shareholders of the Company. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is available on both the websites of the Company and the Stock Exchange.

Dividend Policy

The objective of the Company's dividend policy (the "Dividend Policy") is to allow shareholders of the Company to participate in the Company's profits, while also ensuring that adequate reserves are retained for future prospects of the Group. According to the Dividend Policy, in deciding whether to declare or recommend any dividend distribution, the Board shall take into account, including but not limited to, the following factors:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- the level of the Group's debts to equity ratio, return on equity, contractual restrictions and relevant financial covenants;
- taxation considerations;
- general economic conditions, business cycle of the Group's businesses and other internal or external factors that may have an impact on the businesses or financial performance and position of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems relevant.

Any declaration and payment of dividend shall remain to be determined at the discretion of the Board and subject to the compliance with all applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the mainland (the “Mainland China”) of the People’s Republic of China (the “PRC”). Details of the principal activities of the Company’s principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group’s businesses and an analysis of the Group’s performance during the Year using financial key performance indicators are provided in “Chairman’s Statement” on pages 4 to 9 and sections headed “Business Review” and “Financial Performance” under “Management Discussion and Analysis” on pages 10 to 29 of this annual report.

The financial risk management objectives and policies of the Group are set out in note 47 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in “Management Discussion and Analysis” on pages 32 to 33 of this annual report. These discussions form part of this report.

RESULTS AND DISTRIBUTIONS

The Group’s results for the year ended 31 December 2022 and the Group’s financial position as at 31 December 2022 are set out in the financial statements on pages 83 to 187 of this annual report.

The Board does not recommend the payment of dividend for the year ended 31 December 2022 (2021: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group as at 31 December 2022 and for the last four financial years, as extracted from the published audited financial statements of the Company and adjusted for the change of presentation currency, is set out on page 188 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out in note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year, together with the reasons therefor, are set out in note 34 to the financial statements.

DEBENTURE ISSUED

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.

Details of the Corporate Bonds are included in note 32, to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" of this report and note 35 to the financial statements, no equity-linked agreement was entered into by the Company during the Year or subsisted at the end of the year ended 31 December 2022.

Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Third Amended and Restated Memorandum and Articles of Association of the Company ("M&A") of the Company or relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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

Save as disclosed above in the section headed "DEBENTURE ISSUED" of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders as at 31 December 2022 amounted to approximately HK\$8,985.9 million.

DONATIONS

During the Year, the Group has donated approximately HK\$12,090,000 (2021: approximately HK\$12,574,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, less than 30% of the Group's revenue was attributable to the Group's five largest customers, and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

During the Year, none of the Directors, or any of their close associates, or any shareholders of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Wang Xiaodong (*Chairman*)¹
Mr. Zhu Jianbiao¹
Mr. Wang Wenbo¹
Mr. Sun Qingwei¹
Ms. Liao Jianrong¹
Mr. Li Li¹
Mr. He Yongbing¹
Ms. Ai Yan¹
Mr. Zhang Tiefu (*Joint Chairman*)²
Mr. Hu Xiaoyong (*Joint Chairman*)³
Mr. Yang Guang (*Chief Executive Officer*)²
Mr. Shi Xiaobei²
Mr. Tan Zaixing³
Ms. Huang Danxia²

DIRECTORS (CONTINUED)

Independent Non-executive Directors

Professor Shen Zuojun¹

Mr. Victor Huang¹

Mr. Yang Xiangliang¹

Mr. Chiu Kung Chik

Mr. Li Fujun²

Mr. Xu Honghua²

Notes:

1. Appointed on 19 May 2022.
2. Resigned on 19 May 2022.
3. Resigned on 16 May 2022.

In accordance with article 108 of the M&A, Mr. Zhu Jianbiao, Mr. Sun Qingwei, Ms. Ai Yan and Mr. Chiu Kung Chik shall retire from office by rotation at the AGM and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 34 to 40 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All executive Directors had entered into service agreements and all independent non-executive Directors had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the M&A.

Report of the Directors

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at the AGM. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. During the Year, Mr. Wang Xiaodong, Mr. Wang Wenbo, Mr. Sun Qingwei and Mr. He Yongbing agreed to waive emoluments for the Year. Details of the Directors' remuneration are set out in note 8 to the financial statements.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. The Directors and employees of the Group also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

DEFINED CONTRIBUTION PLANS

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Except for voluntary contributions, no forfeited contributions under the above pension schemes and the MPF Scheme are available to reduce the contribution payable in future years.

During the Year, total contributions to the Group's pension scheme contributions charged to profit or loss amounted to approximately HK\$27,129,000 (2021: approximately HK\$24,952,000).

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND PERMITTED INDEMNITY PROVISION

Pursuant to the M&A, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

The Company has arranged appropriate Directors' and officers' liability insurance to indemnify its Directors against liabilities arising out of legal action from their performance of their duties. Such insurance coverage is reviewed and renewed with consultant advice on an annual basis. During the Year, no claim was made against the Directors and officers of the Company.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of its shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such positions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as below:

Interests and underlying shares of the Company

Name of Director	Interests in underlying shares under equity derivatives (Note 1)	% of total issued shares
Mr. Chiu Kung Chik	10,000,000	0.02%

Note:

1. The interests in underlying shares under equity derivatives represent the share options of the Company granted by the Company on 15 September 2020. For details, please refer to the section headed "SHARE OPTION SCHEME" of this report.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2013 and update to the terms of the Share Option Scheme was adopted by the shareholders' resolution passed on 8 June 2021. The scheme mandate limit under the Share Option Scheme has been refreshed to 6,352,539,705 share options of the Company (the "Share Options"), representing 10% of the shares of the Company (the "Shares") in issue as at the date of the shareholders' resolution, which was passed at the annual general meeting of the Company on 31 May 2018.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

The major terms of the Share Option Scheme are summarized as follows:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel for the development of the Group's business; to provide additional incentive to the selected eligible participants; and to promote the success of the business of the Group.

(ii) Eligible participants

Any employee (full-time or part-time), director, consultant or advisor, substantial shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group and also any entity in which the Company directly or indirectly holds any equity interest.

(iii) Total number of shares available for issue

The total number of the Shares which may be issued upon the exercise of an Share Options to be granted under the Share Option Scheme was 6,752,539,705 (representing approximately 6.01% of the issued Shares as at the date of this report).

(iv) Limit for each participant

Each grant of the Share Options to a director, chief executive or substantial shareholders of the Company or any of their respective associates must be approved.

The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant (including both exercised and outstanding Share Options) under the Share Option Scheme or any other share option scheme of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(v) Exercise period

The exercise period of any Share Option under the Share Option Scheme shall be determined by the Board in its absolute discretion at the time of grant, but in any event such period shall not exceed ten years from the date of grant of the relevant Share Options.

(vi) Vesting period

The Board has the authority to determine any minimum period(s) for which a Share Option must be held and performance targets that must be achieved before a Share Option can be exercised.

(vii) Acceptance and payment on acceptance of the Share Options

The acceptance of an offer of the grant of the Share Options must be made within seven days from the date of the relevant offer (inclusive of the date on which a Share Option offered to a participant) with a non-refundable payment of HK\$1.00 from each participant.

SHARE OPTION SCHEME (CONTINUED)

(viii) Exercise price

The exercise price shall be a price solely determined by the Board and notified to participant and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant.

(ix) Remaining life

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme on 11 June 2013 and expiring on 9 June 2023 (close of business on the business day immediately preceding the tenth anniversary thereof).

Particulars of the outstanding Share Options granted under the Share Option Scheme and their movements during the Year were as follows:

Category of participants/Name	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Number of share options					As at 31 December 2022
			As at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	
Executive Directors								
Mr. Hu Xiaoyong (<i>Resigned as an executive Director on 16 May 2022</i>)	15/09/2020	15/09/2023-14/09/2030	80,000,000	-	-	-	-	80,000,000
	15/09/2020	15/09/2024-14/09/2030	80,000,000	-	-	-	-	80,000,000
	15/09/2020	15/09/2025-14/09/2030	80,000,000	-	-	-	-	80,000,000
	15/09/2020	15/09/2026-14/09/2030	80,000,000	-	-	-	-	80,000,000
	15/09/2020	15/09/2027-14/09/2030	80,000,000	-	-	-	-	80,000,000
Mr. Tan Zaixing (<i>Resigned as an executive Director on 16 May 2022</i>)	15/09/2020	15/09/2023-14/09/2030	68,000,000	-	-	-	-	68,000,000
	15/09/2020	15/09/2024-14/09/2030	68,000,000	-	-	-	-	68,000,000
	15/09/2020	15/09/2025-14/09/2030	68,000,000	-	-	-	-	68,000,000
	15/09/2020	15/09/2026-14/09/2030	68,000,000	-	-	-	-	68,000,000
	15/09/2020	15/09/2027-14/09/2030	68,000,000	-	-	-	-	68,000,000

Report of the Directors

Category of participants/Name	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Number of share options					As at 31 December 2022
			As at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	
Independent non-executive Directors								
Mr. Li Fujun (<i>Resigned as an independent non-executive Director on 19 May 2022</i>)	15/09/2020	15/09/2023-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2024-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2025-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2026-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2027-14/09/2030	2,000,000	-	-	-	-	2,000,000
Mr. Xu Honghua (<i>Resigned as an independent non-executive Director on 19 May 2022</i>)	15/09/2020	15/09/2023-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2024-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2025-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2026-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2027-14/09/2030	2,000,000	-	-	-	-	2,000,000
Mr. Chiu Kung Chik	15/09/2020	15/09/2023-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2024-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2025-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2026-14/09/2030	2,000,000	-	-	-	-	2,000,000
	15/09/2020	15/09/2027-14/09/2030	2,000,000	-	-	-	-	2,000,000
Sub-total			770,000,000	-	-	-	-	770,000,000
Employees of the Group and associated corporations of the Group								
In aggregate	15/09/2020	15/09/2023-14/09/2030	48,000,000	-	-	-	(3,400,000)	44,600,000
	15/09/2020	15/09/2024-14/09/2030	48,000,000	-	-	-	(3,400,000)	44,600,000
	15/09/2020	15/09/2025-14/09/2030	48,000,000	-	-	-	(3,400,000)	44,600,000
	15/09/2020	15/09/2026-14/09/2030	48,000,000	-	-	-	(3,400,000)	44,600,000
	15/09/2020	15/09/2027-14/09/2030	48,000,000	-	-	-	(3,400,000)	44,600,000
Sub-total			240,000,000	-	-	-	(17,000,000)	223,000,000
Total			1,010,000,000	-	-	-	(17,000,000)	993,000,000

Notes:

- The exercise price of all the outstanding Share Options under the Share Option Scheme is HK\$0.08 per ordinary Share.
- The Share Options granted on 15 September 2020 (the "Offer Date") are subject to vesting in five tranches: (i) the first 20% of the Share Options will be vested on the third anniversary of the Offer Date; (ii) the next 20% of the Share Options will be vested on the fourth anniversary of the Offer Date; (iii) the next 20% of the Share Options will be vested on the fifth anniversary of the Offer Date; (iv) the next 20% of the Share Options will be vested on the sixth anniversary of the Offer Date; and (v) the remaining 20% of the Share Options will be vested on the seventh anniversary of the Offer Date. Apart from the aforesaid vesting dates, each tranche of the share options shall be vested and exercisable on the condition that each participant has passed the cultural values and performance assessment of the Company.

Save as disclosed above, there were no outstanding Share Option granted under the Share Option Scheme during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" and "SHARE OPTION SCHEME" of this report, and "SHARE OPTION SCHEME" in note 35 to the financial statements, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "CONTINUING CONNECTED TRANSACTIONS" and "CONNECTED TRANSACTIONS" below and note 44 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2022, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position/Short position in the shares and/or underlying shares of the Company

Name of shareholders	Long/Short position	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's total issued shares (Note 1)
山東高速集團有限公司 (Shandong Hi-Speed Group Co., Ltd. *) ("SDHS Group") (Note 2)	Long position	Interest of controlled corporation	48,804,039,247	43.45%
Shandong Hi-Speed Holdings Group Limited ("SDHG") (Note 2)	Long position	Interest of controlled corporation	48,804,039,247	43.45%
Profit Plan Global Investment Limited ("Profit Plan") (Note 2)	Long position	Beneficial owner	48,804,039,247	43.45%
Beijing Enterprises Group Company Limited ("BE Group") (Note 3)	Long position	Interest of controlled corporation	20,253,164,571	18.03%
Beijing Enterprises Holdings Limited ("BEHL") (Note 3)	Long position	Interest of controlled corporation	20,253,164,571	18.03%
BEWG (Note 3)	Long position	Interest of controlled corporation	20,253,164,571	18.03%
CITIC Securities Company Limited (Notes 4(i) and (ii))	Long position	Interest of controlled corporation	15,189,873,410	13.53%
Citron PE Holdings Limited (Note 4(ii))	Long position	Interest of controlled corporation	7,594,936,710	6.76%
Citron PE Associates II, L.P. (Note 4(ii))	Long position	Interest of controlled corporation	7,594,936,710	6.76%
CPEChina Fund II, L.P. (Note 4(i))	Long position	Interest held jointly with another person	7,594,936,710	6.76%
CPEChina Fund IIA, L.P. (Note 4(i))	Long position	Interest held jointly with another person	7,594,936,710	6.76%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd. *) ("CITIC Private Equity Funds") (Note 4(ii))	Long position	Interest of controlled corporation	7,594,936,700	6.76%
北京宥德投資管理中心 (有限合夥) (Beijing Youde Investment Management Centre (Limited Partnership)*) ("Beijing Youde Investment") (Note 4(ii))	Long position	Interest of controlled corporation	7,594,936,700	6.76%
北京信華投資中心 (有限合夥) (Beijing Xinyu Investment Centre (Limited Partnership)*) ("Beijing Xinyu Investment") (Note 4(ii))	Long position	Interest of controlled corporation	7,594,936,700	6.76%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position/Short position in the shares and/or underlying shares of the Company (Continued)

Notes:

- The approximate percentage was calculated on the basis of 112,329,436,304 shares of the Company in issue as at 31 December 2022.
- SDHS Group is deemed to be interested in an aggregate of 48,804,039,247 shares of the Company as a result of its indirect holding of such shares through the following entities:

Name	Long/Short position	Number of Shares held
Profit Plan	Long position	48,804,039,247
China Shandong Hi-Speed Capital Limited ("China Shandong Hi-Speed Capital")	Long position	48,804,039,247
SDHG	Long position	48,804,039,247
Shandong International (Hong Kong) Limited	Long position	48,804,039,247
Shandong Hi-Speed (Hong Kong) International Capital Limited	Long position	48,804,039,247
山東省農村經濟開發投資公司 (Shandong Rural Economic Development and Investment Company Limited*)	Long position	48,804,039,247
Shandong Hi-Speed (BVI) Capital Management Limited	Long position	48,804,039,247

Profit Plan, a wholly-owned subsidiary of China Shandong Hi-Speed Capital, beneficially holds 48,804,039,247 shares of the Company. China Shandong Hi-Speed Capital is wholly-owned by SDHG (formerly known as China Shandong Hi-Speed Financial Group Limited) (a company listed on the Main Board of the Stock Exchange (Stock Code: 412)). SDHG is directly held as to approximately 22.68% by Shandong Hi-Speed (Hong Kong) International Capital Limited and approximately 20.77% by Shandong International (Hong Kong) Limited. Shandong Hi-Speed (Hong Kong) International Capital Limited is wholly-owned by Shandong Hi-Speed (BVI) Capital Management Limited, and Shandong International (Hong Kong) Limited is wholly-owned by Shandong Rural Economic Development and Investment Company Limited. Shandong Hi-Speed (BVI) Capital Management Limited and Shandong Rural Economic Development and Investment Company Limited are wholly-owned by SDHS Group respectively.

- BE Group is deemed to be interested in an aggregate of 20,253,164,571 shares of the Company as a result of its indirect holding of such shares through the following entities:

Name	Long/Short position	Number of Shares held
Fast Top Investment Limited ("Fast Top")	Long position	20,253,164,571
BEWG	Long position	20,253,164,571
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	Long position	20,253,164,571
BEHL	Long position	20,253,164,571
Beijing Enterprises Group (BVI) Company Limited ("BE BVI")	Long position	20,253,164,571

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 shares of the Company. BEWG is directly held as to approximately 41.03% by BE Environmental and approximately 0.42% by Beijing Holdings Limited ("BHL") as at 31 December 2022. BE Environmental is a wholly-owned subsidiary of BEHL, which is deemed to be interested in approximately 62.05% by BE BVI (by itself and through its subsidiaries) and approximately 0.36% by BHL. The remaining shares of BEHL are held by public shareholders. Both BE BVI and BHL are wholly-owned by BE Group.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position/Short position in the shares and/or underlying shares of the Company (Continued)

Notes: (Continued)

4. CITIC Securities Company Limited (a company listed on the Stock Exchange (Stock Code: 6030) and the Shanghai Stock Exchange (Stock Code: 600030)) is deemed to be interested in an aggregate of 15,189,873,410 long positions in the shares of the Company as a result of its indirect holding of such shares through the following entities:

(i)	Name	Long/Short position	Number of Shares held
	CTSL Green Power Investment Limited ("CTSL Green Power")	Long position	7,594,936,710
	CPEChina Fund II, L.P.	Long position	7,594,936,710
	CPEChina Fund IIA, L.P.	Long position	7,594,936,710
	Citron PE Associates II, L.P.	Long position	7,594,936,710
	Citron PE Funds II Limited	Long position	7,594,936,710
	Citron PE Holdings Limited	Long position	7,594,936,710
	CLSA Global Investments Management Limited ("CLSA Global")*	Long position	7,594,936,710
	CITIC Securities International Company Limited ("CITIC Securities International")	Long position	7,594,936,710

CTSL Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 7,594,936,710 shares of the Company. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is Citron PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of Citron PE Associates II, L.P. is Citron PE Funds II Limited. Citron PE Funds II Limited is wholly-owned by Citron PE Holdings Limited, which is owned as to 35% by CLSA Global. CLSA Global is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited.

- * The Company has been informed by CLSA Global, as of 31 December 2022, CSI Capital Management Limited and CITIC CLSA Global Markets Holdings Limited, ceased to have interest in long positions and short positions in 14,000,000 shares of the Company.

(ii)	Name	Long/Short position	Number of Shares held
	CTSL New Energy Investment Limited ("CTSL New Energy")	Long position	7,594,936,700
	Beijing Xinyu Investment	Long position	7,594,936,700
	Beijing Youde Investment	Long position	7,594,936,700
	上海磐諾企業管理服務有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) ("Shanghai Pannuo")	Long position	7,594,936,700
	CITIC Private Equity Funds	Long position	7,594,936,700

CTSL New Energy, a wholly-owned subsidiary of Beijing Xinyu Investment, beneficially holds 7,594,936,700 shares of the Company. Beijing Xinyu Investment is a limited partnership registered under the laws of the PRC. The general partner of Beijing Xinyu Investment is Beijing Youde Investment, a limited partnership registered under the laws of the PRC whose general partner is Shanghai Pannuo, a limited liability company incorporated in the PRC. Shanghai Pannuo is wholly-owned by CITIC Private Equity Funds, which is in turn owned as to 35% by CITIC Securities Company Limited.

Save as disclosed above, as at 31 December 2022, no other interests or short positions in the shares or underlying shares of the Company were notified to the Company and the Stock Exchange required to be recorded in the register kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the following transactions continued as continuing connected transactions for the Company which are required under Chapter 14A of the Listing Rules disclosed in this annual report:

(I) Leases and Licence

(i) Units 201 and 302 of BEWG Building and four car parking spaces

On 4 January 2022, Beiqing Smart, an indirect non-wholly owned subsidiary of the Company, entered into a lease agreement with Beijing Enterprises Water (China) Investment Co., Ltd* (北控水務(中國)投資有限公司) ("BEWCI"), a wholly-owned subsidiary of Beijing Enterprises Water Group Limited ("BEWG", together with its subsidiaries, the "BEWG Group"), in respect of the leasing of Units 201 and 302 of BEWG Building an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC ("BEWG Building") and four car parking spaces in BEWG Building for a fixed term of 1 year from 1 January 2022 to 31 December 2022 (both days inclusive) with a rental of RMB745,187.04 per month (inclusive of the management fees and other service charges) and RMB2,000 per month for the four car parking spaces ("Beijing Lease I"). The annual cap of Beijing Lease I for the Year is RMB8,966,244.50.

(ii) Unit 301 of BEWG Building

On 4 January 2022, BE Clean Heat Energy Company Limited* (北控清潔熱力有限公司), and currently renamed as Shandong Hi-Speed Thermal Group Company Limited* (山高熱力集團有限公司), an indirect non-wholly owned subsidiary of the Company, entered into a lease agreement in respect of office premises with BEWCI in respect of the leasing of Unit 301 of BEWG Building for a fixed term of 1 year from 1 January 2022 to 31 December 2022 (both days inclusive) with a rental of RMB170,333.33 per month (inclusive of the management fee and other service charges) ("Beijing Lease II"). The annual cap of Beijing Lease II for the Year is RMB2,044,000.

(iii) Rooms 6706-07, 67th Floor, Central Plaza

On 26 June 2019, the Company entered into an agreement (the "Licence") with BEWG to renew the terms of a licence agreement dated 30 June 2017 for occupying and using a portion of Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the "Hong Kong Property") for the period from 2 July 2019 to 30 June 2022 (both days inclusive) or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the tenancy agreement entered into between BEWG and the landlord of the Hong Kong Property (the "Hong Kong Lease") applicable to the Licence, whichever is the earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK\$101,791.50, representing the rent payable by BEWG for the occupied portion under the Hong Kong Lease; (ii) HK\$14,070.00, representing the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG for the occupied portion under the Hong Kong Lease; (iii) HK\$6,816.00, representing the coolant fees payable by BEWG for the occupied portion under the Hong Kong Lease; and (iv) the government rates of the Hong Kong Property payable by BEWG for the occupied portion under the Hong Kong Lease.

The annual cap of the Licence for the period from 1 January 2022 to 30 June 2022 is HK\$798,807.26.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Leases and Licence (Continued)

As at the date of the announcement of the Company on 4 January 2022, BEWCI is a wholly-owned subsidiary of BEWG and BEWG is a substantial shareholder of the Company indirectly holding approximately 18.03% of the total issued share capital of the Company. Accordingly, BEWCI is an associate of BEWG and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Each of BE Clean Heat Energy and Beiqing Smart is an indirect non-wholly owned subsidiary of each of the Company and SDHG. As such, the transactions contemplated under the Beijing Lease I, Beijing Lease II and the Licence constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of Beijing Lease I, Beijing Lease II and the Licence are set out in the announcements of the Company dated 26 June 2019 and 4 January 2022 respectively.

(II) The Sales of Electricity

On 30 December 2019, the Company and BEWG entered into an agreement (the "2019 Electricity Sales Agreement") to renew the terms of the power purchase agreement dated 30 June 2017, in respect of the sales of electricity to be generated by the distributed photovoltaic power stations constructed/to be constructed and to be operated by the Group in certain water plants to BEWG ("Sales of Electricity") from 1 January 2020 to 31 December 2022 (may be renewable for another term upon mutual agreement between BEWG and the Company within one month prior to the expiry date). The annual cap amount relating to the electricity fees receivable by the Group in respect of the Sales of Electricity under 2019 Electricity Sales Agreement for the Year was RMB18,885,741.

On 30 December 2022, the Company and BEWG entered into an agreement (the "2022 Electricity Sales Agreement") in respect of the Sales of Electricity to renew the terms of the 2019 Electricity Sales Agreement for a term commenced from 1 January 2023 to 31 December 2025, may be renewable for another term upon mutual agreement between BEWG and the Company within one month prior to the expiry date. The annual cap amount relating the electricity fees receivable by the Group in respect of the Sales of Electricity for each of the three years ending 31 December 2025 being the term of the 2022 Electricity Sales Agreement, will not exceed RMB20,449,710.17, RMB21,196,804.71 and RMB21,015,863.99 respectively.

As at the date of 2022 Electricity Sales Agreement, (i) BEWG is a substantial shareholder of the Company indirectly holding approximately 18.03% of the total issued share capital of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the 2022 Electricity Sales Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of 2019 Electricity Sales Agreement and 2022 Electricity Sales Agreement are set out in the announcement of the Company dated 30 December 2019 and the joint announcement of the Company and SDHG dated 30 December 2022 respectively.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

In accordance with Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors who confirmed that the aforesaid continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) carried out on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Ernst & Young, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

Ernst & Young has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONNECTED TRANSACTIONS

During the Year, the following transactions were connected transactions for the Company which are required under Chapter 14A of the Listing Rules disclosed in this annual report:

(I) General Construction Contract I

On 20 October 2022, Wuxiang Beiqing Electric Power Smart Energy Co., Ltd.* (武鄉北清電力智慧能源有限公司) ("Wuxiang Beiqing"), an indirect non-wholly owned subsidiary of each of the Company, and SDHG entered into the general construction contract (the "General Construction Contract I") with Zhonggong Wuda Design Group Limited* (中工武大設計集團有限公司) ("Zhonggong Wuda") and China Railway Long Construction Group Limited* (中鐵隆工程集團有限公司) ("China Railway Long Construction"), pursuant to which Zhonggong Wuda and China Railway Long Construction agreed to act as the contractors for the construction of a project in relation to integration of 100MW agriculture and photovoltaic power storage located in Hanbei Town* (韓北鎮), Wuxiang County* (武鄉縣), Changzhi City* (長治市), Shanxi Province of the PRC which involves the construction of a 100MW photovoltaic power plant, at an aggregate contracting fee of RMB149,170,769 (inclusive of all taxes).

(II) General Construction Contract II

On 20 October 2022, Tibet Fuhua Energy Technology Co., Ltd.* (西藏富樺能源科技有限公司) ("Tibet Fuhua"), an indirect non-wholly owned subsidiary of each of the Company, and SDHG entered into the engineering procurement, and construction (EPC) general construction contract (the "General Construction Contract II") with Shandong Luqiao Group Co., Ltd.* (山東省路橋集團有限公司) ("Shandong Luqiao"), pursuant to which Shandong Luqiao agreed to act as the contractor for the construction improvement work under a project in relation to improvement of power generation stations and step-up substations at (1) Huairen Zhongcheng Photovoltaic Power Station* (懷仁中晟光伏電站) located in Huairen Town* (懷仁鎮), Shanghe County* (商河縣), Jinan City* (濟南市), Shandong Province of the PRC and (2) Changxia Photovoltaic Power Station* (長峽光伏電站) located in Guide Town* (歸德鎮), Changqing District* (長清區), Jinan City* (濟南市), Shandong Province of the PRC, at an aggregate contracting fee of RMB1,521,168.69 (inclusive of all taxes).

Report of the Directors

CONNECTED TRANSACTIONS (CONTINUED)

(III) General Construction Contract III

On 20 October 2022, Jinan Shandong Hi-Speed New Energy Technology Co., Ltd.* (濟南山高新能源科技有限公司) ("JNHS New Energy Technology"), an indirect non-wholly owned subsidiary of each of the Company and SDHG, entered into the procurement and construction (PC) general construction contract (the "General Construction Contract III") with Shandong Luqiao and Shandong Yuantai Electric Power Technology Co., Ltd.* (山東源泰電力科技有限公司) ("Shandong Yuantai"), pursuant to which Shandong Luqiao and Shandong Yuantai agreed to act as the contractors for the construction of a project in relation to 1.745MW distributed photovoltaic power generation facilities and equipment at Jinan Gushan Service Area* (濟南崮山服務區), located at Beijing-Taipei Expressway* (京台高速) 426 kilometers, Jinan City* (濟南市), Shandong Province of the PRC (the "Project III"), at an aggregate contracting fee of RMB7,035,181.63 (inclusive of all taxes).

(IV) Design Services Agreements

On 20 October 2022, (1) Beijing Enterprises Clean Energy Electricity Company Limited* (北控清潔能源電力有限公司) ("Beijing Clean Energy Electricity"), an indirect non-wholly owned subsidiary of each of the Company and SDHG, entered into the design services framework agreement with Shandong Transportation Planning and Design Institute Group Co., Ltd.* (山東省交通規劃設計院集團有限公司) ("Shandong Transportation Planning and Design Institute") and Shandong Shenghe Electric Power Engineering Design Co., Ltd.* (山東盛合電力工程設計有限公司) ("Shandong Shenghe"); (2) JNHS New Energy Technology, a direct wholly owned subsidiary of Beijing Clean Energy Electricity, entered into the survey design agreement with Shandong Transportation Planning and Design Institute and Shandong Shenghe. Pursuant to the design services framework agreements and the survey design agreement (collectively, the "Design Services Agreements"), Shandong Transportation Planning and Design Institute and Shandong Shenghe agreed to act as the contracting designers for the provision of the construction engineering survey and design services for a project in relation to the distributed photovoltaic power generation facilities located at the service areas of Beijing-Taipei Expressway* (京台高速) and QingdaoYinchuan Expressway* (青銀高速) (the "Project IV"), at an aggregate contracting fee of RMB94,267.80 (inclusive of all taxes).

As at the date of the joint announcement of the Company and SDHG date 20 October 2022, save for Shandong Yuantai and Shandong Shenghe which are independent third parties (as defined under the Listing Rules), (1) each of Zhonggong Wuda, China Railway Long Construction, Shandong Luqiao and Shandong Transportation Planning and Design Institute is an indirect non-wholly owned subsidiary of Shandong Hi-Speed Group; (2) Shandong Hi-Speed Group through various entities owns an aggregate of approximately 43.44% of the issued share capital of SDHG and approximately 43.45% of the issued share capital of the Company; and (3) the Company is an indirect non-wholly owned subsidiary of SDHG. Shandong Hi-Speed Group is therefore an indirect controlling shareholder and a connected person of each of the Company and SDHG under Chapter 14A of the Listing Rules. Accordingly, each of Zhonggong Wuda, China Railway Long Construction, Shandong Luqiao and Shandong Transportation Planning and Design Institute is therefore an associate of Shandong Hi-Speed Group and therefore a connected person of each of the Company and SDHG under Chapter 14A of the Listing Rules.

Each of Wuxiang Beijing, Tibet Fuhua, JNHS New Energy Technology and Beijing Clean Energy Electricity is an indirect non-wholly owned subsidiary of each of the Company and SDHG. Accordingly, each of the transactions contemplated under the General Construction Contract I, General Construction Contract II, General Construction Contract III and Design Services Agreements (the above four contracts collectively referred to as the "General Construction Services Contracts") constitutes a connected transaction for both the Company and SDHG pursuant to Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

Since (i) the General Construction Services Contracts are conducted by the subsidiaries of each of the Company and SDHG with entities which are direct or indirect non-wholly owned subsidiaries of Shandong Hi-Speed Group (save for Shandong Yuantai and Shandong Shenghe which are independent third parties (as defined under the Listing Rules)); (ii) the General Construction Services Contracts were entered into with a 12-month period; and (iii) the transactions under the General Construction Services Contracts are of the same nature, the transactions under the General Construction Services Contract shall be aggregated.

Details of General Construction Services Contracts and Design Services Agreements are set out in the joint announcement of the Company and SDHG dated 20 October 2022.

(V) Exercise of Options

Pursuant to the capital contribution agreements and relevant supplemental agreements (“Capital Contribution Agreements”, details of which are set out in announcements of the Company dated 27 December 2019, 30 July 2020, 15 September 2020, 26 March 2021 and 17 September 2021 and the circular of the Company dated 24 December 2020) in relation to a total of four rounds of capital contributions contributed by the 16 investors (the “Investors”) which are independent third parties (as defined under the Listing Rules) and Great First Limited (“Great First”) to the registered capital of Beiqing Smart, the options (the “Options”) in relation to the right to request Beijing Enterprises New Energy Company Limited* (北京北控光伏科技發展有限公司) (“BENE”) or Beiqing Smart to repurchase the respective equity interest in Beiqing Smart at a certain repurchase price at any time after the occurrence of any of the prescribed events were granted to the Investors and Great First. The repurchase price of the equity interest in Beiqing Smart under the Options shall be determined in the manner as set out in the announcement of the Company dated 17 September 2021.

On 30 November 2022, (i) the Investors had exercised the Options whereby BENE, an indirect wholly-owned subsidiary of the Company, is required to repurchase from the Investors an aggregate of 19.4892% equity interest in Beiqing Smart; and (ii) Great First had exercised the Options whereby Harvest Sunny International Limited as nominated by certain grantors of the Options is required to repurchase from Great First, its 0.2729% equity interest in Beiqing Smart. Completions of the transfers of equity interest in Beiqing Smart are expected to take place no later than 30 April 2023.

As at the date of the joint announcement of the Company and SDHG dated 30 November 2022, Great First is wholly owned by Mr. Hu Xiaoyong, a former executive director of the Company within the last 12 months from the date of joint announcement of the Company and SDHG dated 30 November 2022 and is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Upon completion of the exercise of the Options by the Investors and Great First, Beiqing Smart will become a wholly-owned subsidiary of the Company.

Details of the exercise of the Options are set out in the joint announcement of the Company and SDHG dated 30 November 2022.

To the best knowledge of the Directors, saved as disclosed in the section headed “Connected Transactions” and “Continuing Connected Transactions” in this annual report, and certain transactions as disclosed in note 44 to the financial statements, were constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, which were in compliance with the disclosure requirements under Chapter 14A of the Listing Rules during the Year.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save for certain transactions as disclosed in note 44 to the financial statements, neither the Company nor any of its subsidiaries has entered into any contract of significance with a controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries during the Year.

Report of the Directors

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance of the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity	Specific performance obligations
26 August 2020 and 21 December 2022	Term loan facility with a syndicate of banks	HK\$390 and US\$100	August 2023	Note 1
30 April 2021 and 21 December 2022	Term loan facility with a syndicate of banks	HK\$1,872 and US\$60	April 2024	Note 1
19 November 2021, 2 March 2022 and 21 December 2022	Term loan facility with a syndicate of banks	HK\$1,606.8 and US\$144	November 2024	Note 1

Note:

- (a) The State-owned Assets Supervision and Administration Commission of Shandong Provincial Government* (山東省人民政府國有資產監督管理委員會, "Shandong SASAC") does not or ceases to own, directly or indirectly, more than 51% of the beneficial shareholding, carrying more than 51% of the voting rights in 山東高速集團有限公司 (Shandong High Speed Group Co., Ltd.*) ("Shandong Hi-Speed Group", being an indirect controlling shareholder of the Company), being an indirect controlling shareholder of the Company; (b) Shandong SASAC does not or ceases to (i) supervise Shandong Hi-Speed Group; and/or (ii) have management control over Shandong Hi-Speed Group; (c) Shandong Hi-Speed Group does not or ceases to (i) supervise SDHG; and/or (ii) have control over SDHG; (d) Shandong Hi-Speed Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights, in SDHG, or is not or ceases to be the single largest shareholder of SDHG, free from any security; (e) SDHG does not or ceases to directly or indirectly, (i) supervise the Company; and/or have control over the Company; and (f) the Company does not or ceases to be a subsidiary of SDHG directly or indirectly.

According to the respective terms and conditions of the Agreements, the banks may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand for any breach of the above specific performance obligations.

Within the best knowledge of the Directors, none of the above events took place during the Year and up to the date of approval of this annual report.

As at the date of this report, the Company has already completed the arrangements in relation to the abovementioned change of controlling shareholders with the relevant lenders.

Except as disclosed above, as at 31 December 2022, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 48 of the financial statements, particular of the Group's major events after the reporting period 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.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the Board on 30 March 2023.

On behalf of the Board

Wang Xiaodong

CHAIRMAN

Hong Kong, 30 March 2023

* For identification purposes only

Independent Auditor's Report



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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shandong Hi-Speed New Energy Group Limited (formerly known as Beijing Enterprises Clean Energy Group Limited, the "Company") and its subsidiaries (the "Group") set out on pages 83 to 187, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Provision for expected credit losses on trade and bills receivables, financial assets included in prepayments, deposits and other receivables and contract assets

The carrying values of the Group's trade and bills receivables, financial assets included in prepayments, deposits and other receivables, and contract assets as at 31 December 2022 amounted to HK\$8,176,926,000, HK\$4,708,065,000 and HK\$1,086,746,000, respectively. The provision for expected credit losses ("ECLs") as at 31 December 2022 was HK\$757,231,000.

Management uses the simplified approach to calculate ECLs for trade receivables and contract assets and the general approach to calculate ECLs for bills receivable, deposits and other receivables.

Management has engaged an external specialist to assess the credit risks of the debtors and prepare the calculation of the ECLs.

The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECLs. The Group also assesses whether the credit risk on other receivables has increased significantly under the general approach.

Significant management judgements and estimates are involved in determining the ECLs.

Relevant disclosures are included in notes 3, 24, 25 and 26 to the financial statements.

We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy on determining the ECLs, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; (ii) the use of available credit risk information; and (iii) the criteria for determining whether a significant increase in credit risk has occurred.

We assessed the competence, objectivity and independence of the Group's external specialist.

We obtained and reviewed the valuation established by management and involved our internal valuation specialists to assist us to assess the methodology applied and the key assumptions and estimates adopted in the ECL calculations.

We assessed the ageing of the balances, management's action to recover the outstanding amounts and the available information regarding the financial ability of the debtors, on a sampling basis.

Independent Auditor's Report

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

(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

To the shareholders of Shandong Hi-Speed New Energy Group Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

Ernst & Young

Certified Public Accountants
Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	5	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	5	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	7	(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	6	283,466	(264,874)
Income tax expense	10	(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	13		
Basic		HK0.28 cent	HK(0.62) cent
Diluted		HK0.28 cent	HK(0.62) cent

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	225,811	(288,834)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
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	14	25,045,556	27,732,405
Investment properties	15	162,000	162,000
Goodwill	16	461,630	547,837
Operating concessions	17	1,622,103	2,138,011
Operating rights	18	865,883	1,020,748
Other intangible assets	19	16,054	20,001
Investments in joint ventures	20	464,693	497,159
Investments in associates	21	1,332,662	1,129,425
Prepayments, deposits and other receivables	26	3,332,845	3,291,428
Other tax recoverables	27	356,426	585,233
Other non-current assets	23	1,385,240	1,332,003
Deferred tax assets	33	397,753	285,508
Total non-current assets		35,442,845	38,741,758
CURRENT ASSETS			
Inventories		95,003	126,520
Contract assets	24	1,086,746	1,353,953
Trade and bills receivables	25	8,176,926	10,006,793
Financial assets at fair value through profit or loss	22	411,916	581,123
Prepayments, deposits and other receivables	26	2,032,773	2,343,586
Other tax recoverables	27	122,808	352,472
Restricted cash and pledged deposits	28	247,454	227,200
Cash and cash equivalents	28	3,637,264	1,140,832
Assets classified as held for sale	11	774,530	–
Total current assets		16,585,420	16,132,479
CURRENT LIABILITIES			
Trade and bills payables	29	1,941,813	3,296,057
Other payables and accruals	30	1,888,123	2,363,821
Interest-bearing bank and other borrowings	31	6,117,897	10,050,832
Corporate bonds	32	563	1,188,385
Other current liabilities	23	–	1,577,945
Income tax payables		213,979	225,795
Total current liabilities		10,162,375	18,702,835

Consolidated Statement of Financial Position

31 December 2022

	Notes	31 December 2022 HK\$'000	31 December 2021 HK\$'000
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	31	24,454,824	20,930,265
Corporate bonds	32	526,803	–
Other non-current liabilities	23	1,555,456	2,781,734
Deferred income		–	50,517
Deferred tax liabilities	33	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	34	112,329	63,525
Reserves	36	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

Zhu Jianbiao
Director

Sun Qingwei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to equity holders of the Company									
	Ordinary shares	Share premium account	Share option reserve	Special reserves	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (note 35)	HK\$'000 (note 36)	HK\$'000 (note 36)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	63,525	5,925,295*	39,934*	(14,456)*	740,650*	875,083*	3,620,392*	11,250,423	831,631	12,082,054
Profit/(loss) for the year	-	-	-	-	-	-	258,236	258,236	(32,425)	225,811
Other comprehensive loss for the year:										
Share of other comprehensive loss of joint ventures	-	-	-	-	-	(38,186)	-	(38,186)	-	(38,186)
Share of other comprehensive loss of associates	-	-	-	-	-	(87,819)	-	(87,819)	-	(87,819)
Exchange differences related to foreign operations	-	-	-	-	-	(1,630,819)	-	(1,630,819)	(148,595)	(1,779,414)
Total comprehensive loss for the year	-	-	-	-	-	(1,756,824)	258,236	(1,498,588)	(181,020)	(1,679,608)
Issue of shares	48,804	4,636,384	-	-	-	-	-	4,685,188	-	4,685,188
Share issue expenses	-	(2,524)	-	-	-	-	-	(2,524)	-	(2,524)
Further acquisition of subsidiaries	-	-	-	119,691	-	-	-	119,691	(106,946)	12,745
Disposal of subsidiaries	40	-	-	-	-	-	-	-	(8,162)	(8,162)
Equity-settled share option arrangements	35	-	2,031	-	-	-	-	2,031	-	2,031
At 31 December 2022	112,329	10,559,155*	41,965*	105,235*	740,650*	(881,741)*	3,878,628*	14,556,221	535,503	15,091,724

	Attributable to equity holders of the Company										
	Ordinary shares	Share premium account	Share option reserve	Special reserves	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Perpetual capital instrument	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (note 35)	HK\$'000 (note 36)	HK\$'000 (note 36)	HK\$'000	HK\$'000	HK\$'000 (note 37)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	63,525	5,925,295	32,330	(30,024)	733,442	181,129	4,019,179	1,143,587	12,068,463	1,056,427	13,124,890
(Loss)/profit for the year	-	-	-	-	-	-	(391,579)	70,267	(321,312)	32,478	(288,834)
Other comprehensive income for the year:											
Share of other comprehensive income of joint ventures	-	-	-	-	-	15,039	-	-	15,039	-	15,039
Share of other comprehensive income of associates	-	-	-	-	-	33,238	-	-	33,238	-	33,238
Exchange differences related to foreign operations	-	-	-	-	-	645,677	-	-	645,677	80,552	726,229
Total comprehensive income for the year	-	-	-	-	-	693,954	(391,579)	70,267	372,642	113,030	485,672
Acquisition of subsidiaries	39	-	-	-	-	-	-	-	-	1,687	1,687
Further acquisition of subsidiaries	-	-	-	100,759	-	-	-	-	100,759	(347,249)	(246,490)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	7,736	7,736
Distributions paid to holders of a perpetual capital instrument	37	-	-	-	-	-	-	(79,345)	(79,345)	-	(79,345)
Deemed perpetual bonds	-	-	-	(85,191)	-	-	-	(1,134,509)	(1,219,700)	-	(1,219,700)
Equity-settled share option arrangements	35	-	7,604	-	-	-	-	-	7,604	-	7,604
Transfer from retained earnings	-	-	-	-	7,208	-	(7,208)	-	-	-	-
At 31 December 2021	63,525	5,925,295*	39,934*	(14,456)*	740,650*	875,083*	3,620,392*	-	11,250,423	831,631	12,082,054

* These reserve accounts comprise the consolidated reserves of HK\$14,443,892,000 (2021: HK\$11,186,898,000) attributable to the holders of the equity holders of the Company in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		283,466	(264,874)
Adjustments for:			
Interest income	5	(38,530)	(16,615)
Gains on bargain purchase of subsidiaries	5,6	(2,243)	(13,922)
Gains on disposal of subsidiaries	5,6	(682)	(782)
Fair value gain on financial assets at fair value through profit or loss	5	(10,650)	(21,528)
Contingent consideration adjustment arising from acquisition in prior years	5	(38,711)	–
Gains on debt restructuring	5	(37,878)	–
Losses on disposal of property, plant and equipment	6	13,336	–
Depreciation of property, plant and equipment	6	1,450,442	1,499,468
Amortisation of operating concessions	6	91,274	127,748
Amortisation of operating rights	6	34,494	56,973
Amortisation of other intangible assets	6	3,137	3,796
Equity-settled share option expenses	6	2,031	7,604
Impairment of financial assets	6	24,480	622,386
Reversal of impairment of an investment in an associate	5, 6	–	(53,551)
Impairment of property, plant and equipment	6	92,210	130,722
(Reversal of impairment)/impairment of operating concessions	6	(59,884)	168,956
Impairment of operating rights	6	19,881	–
Impairment of goodwill	6	42,093	–
Finance costs	7	1,803,324	1,518,742
Gains on remeasurement from step acquisition of a former joint venture to a subsidiary	5,6	–	(18,855)
Gains on disposal of joint ventures	5,6	–	(3,178)
Losses on disposal of an associate	6	–	30,570
Fair value loss on financial guarantees	6	3,328	622
Share of profits of joint ventures		(4,544)	(17,815)
Share of profits of associates		(25,759)	(36,909)
		3,644,615	3,719,558
(Increase)/decrease in inventories		(10,037)	47,610
Decrease in contract assets		206,690	893,823
Decrease/(increase) in trade and bills receivables		939,527	(1,337,880)
(Increase)/decrease in prepayments, deposits and other receivables		(342,203)	2,572,483
Decrease in other tax recoverables		397,433	1,345,992
Decrease in trade and bills payables		(1,045,901)	(2,771,283)
Increase/(decrease) in other payables and accruals		122,754	(1,927,977)
Cash generated from operations		3,912,878	2,542,326
The People's Republic of China tax paid		(248,292)	(248,387)
Net cash from operating activities		3,664,586	2,293,939

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		38,530	16,615
Purchases of items of property, plant and equipment		(966,375)	(1,346,657)
Proceeds from disposal of items of property, plant and equipment		9,461	5,626
Consideration adjustments/(addition) of operating concessions		50,663	(76,450)
Addition of other intangible assets		(2,947)	(3,507)
Addition of financial assets at fair value through profit or loss		(320,280)	–
Proceeds from disposal of financial assets at fair value through profit or loss		462,306	275,317
Investments in joint ventures		(1,252)	(266,937)
Investments in associates		(17,440)	(83,099)
Acquisition of subsidiaries	39	(251,611)	(128,994)
Disposal of subsidiaries	40	(6,414)	201
Increase in deposits for potential business acquisitions		(156,690)	(645,519)
Decrease in payables in relation to the development of clean energy projects		(297,972)	(898,481)
(Increase)/decrease in restricted cash and pledged deposits		(40,562)	175,597
Decrease in loan and advances to suppliers, customers and former shareholders in relation to acquisitions		157,683	373,724
Proceeds from disposal of a joint venture		–	18,090
Change in other non-current assets/liabilities, other current liabilities and receivables from potential acquisition companies, net		(39,764)	59,910
Net cash used in investing activities		(1,382,664)	(2,524,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	4,685,188	–
Capital contributions by non-controlling equity holders		–	7,736
(Decrease)/increase in financial liabilities from potential non-controlling interests		(2,887,077)	1,152,448
Acquisition of non-controlling interests		(20,048)	(246,490)
Net proceeds from issuance of a corporate bond		(586,896)	(554,150)
New bank loans and other borrowings		13,723,272	8,917,271
Repayment of bank loans and other borrowings		(13,081,197)	(7,959,939)
Distribution to holders of a perpetual capital instrument		–	(79,345)
Changes of deposits under leases		110,846	106,625
Interest on bank loans and other borrowings and corporate bonds paid		(1,594,530)	(1,336,869)
Redemption of perpetual capital securities		–	(1,219,700)
Net cash from/(used in) financing activities		349,558	(1,212,413)

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		1,140,832	2,521,536
Effect of foreign exchange rate changes, net		(135,048)	62,334
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		3,637,264	1,140,832
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	28	3,637,264	1,140,832
Cash and cash equivalents as stated in the statement of cash flows		3,637,264	1,140,832

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 “**SDHG**”), 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 34.

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**”).

Information about subsidiaries

Particulars of the Company’s principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
山高光伏電力發展有限公司(Shandong Hi-Speed Photovoltaic Power Development Company Limited**)	PRC	RMB5,800,000,000	–	100	Trading of equipment and provision of construction and related services in relation to the Photovoltaic Power Business
天津北清電力智慧能源有限公司 (Tianjin Beijing Smart Energy Company Limited*) (“Beijing Smart”)	PRC	RMB6,854,619,850	–	100	Investment holding
天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*)	PRC	RMB4,300,000,000	–	100	Investment holding
四川北控清潔能源工程有限公司 (Sichuan Beijing Enterprises Clean Energy Engineering Limited*)	PRC	RMB550,000,000	–	100	Construction services and provision of technical consultancy services
安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

Notes to Financial Statements

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
淇縣中光太陽能有限公司 (Qi County Solar Power Limited*)	PRC	RMB200,100,000	–	100	Infrastructure development and operation of photovoltaic power plants
山東魯薩風電有限公司 (Shandong Lusa Wind Power Company Limited*)	PRC	RMB160,000,000	–	100	Infrastructure development and operation of wind power plants
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*)	PRC	RMB150,390,000	–	100	Infrastructure development and operation of photovoltaic power plants
天津富驛企業管理諮詢有限公司 (Tianjin Fuyi Enterprise Management Consulting Co., Ltd*)	PRC	RMB2,600,000,000	–	100	Investment holding
天津富樺企業管理諮詢有限公司 (Tianjin Fuhua Enterprise Management Consulting Co., Ltd*)	PRC	RMB3,000,000,000	–	100	Investment holding
西藏北控清潔能源科技發展有限公司 (Tibet Beikong Clean Energy Technology Development Company Limited*)	PRC	RMB100,000,000	–	100	Construction services, provision of technical consultancy services and investment holding
西藏富樺能源科技有限公司 (Tibet Fuhua Energy Technology Company Limited*)	PRC	RMB100,000,000	–	100	Trading of equipment and provision of technical consultancy services in relation to the Photovoltaic Power Business

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
山高新能源(山東)有限公司 (Shandong Hi-Speed New Energy (Shandong) Company Limited*)	PRC	RMB700,000,000	–	100	Investment holding
南昌縣綠川新能源有限公司 (Nanchang County Lvchuan New Energy Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
河南平煤北控清潔能源有限公司 (Henan Pingmei Beikong Clean Energy Company Limited*)	PRC	RMB1,000,000,000	–	80.2	Infrastructure development, operation of clean energy projects and investment holding
西藏雲北能源科技有限公司 (Tibet Yunbei Energy Technology Co., Ltd.*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
山高熱力集團有限公司 (Shandong Hi-Speed Thermal Group Company Limited*)	PRC	RMB960,000,000	–	71.08	Infrastructure development and provision of clean heat supply services
北控智慧能源(凌源)有限責任公司 (Beijing Enterprises Smart Energy (Lingyuan) Company Limited*)	PRC	RMB500,000,000	–	63.97	Infrastructure development and provision of clean heat supply services
西安山高嘉晟熱力有限責任公司 (Xi'an Shandong Hi-Speed Jiasheng Thermal Company Limited*)	PRC	RMB50,000,000	–	49.76	Infrastructure development and provision of clean heat supply services
興義市中弘新能源有限公司 (Xingyi Zhonghong New Energy Co., Ltd.*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyeshinxiu New Energy Co., Ltd.*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

Notes to Financial Statements

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
西藏山高風力發電有限公司 (Tibet Shandong Hi-Speed Wind Power Generation Company Limited*) ("Tibet Shandong Hi-Speed Wind")	PRC	RMB720,000,000	–	100	Infrastructure development and operation of clean energy projects
阿拉善北控新能源有限公司 (Alashan Beijing Enterprises New Energy Company Limited*)	PRC	RMB60,000,000	–	100	Infrastructure development and operation of wind power plants
曹縣北控聖潤熱力有限公司 (Caoxian Beikong Shengrun Thermal Power Company Limited*)	PRC	RMB112,625,000	–	46.2	Infrastructure development and provision of clean heat supply services
北控新能工程有限公司 (Beijing Enterprises New Energy Engineering Company Limited *)	PRC	RMB1,500,000,000	–	100	Construction services and provision of technical consultancy services
寧夏永恆能源管理有限公司 (Ningxia Yongheng Energy Management Company Limited*)	PRC	RMB30,000,000	–	71.8	Infrastructure development and provision of clean heat supply services
金杰新能源股份有限公司 (Jin Jie New Energy Co., Ltd*)	PRC	RMB60,000,000	–	100	Infrastructure development and operation of wind power plants
包頭市金源新能源發展有限責任公司 (Baotou Jingjie New Energy Development Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of wind power plants
文水山高供熱有限公司 (Wenshui Shandong Hi-Speed Heat Supply Ltd.*)	PRC	RMB130,000,000	–	71.8	Infrastructure development and provision of clean heat supply services
寶應北控光伏發電有限公司 (Baoying Beijing Enterprises Photovoltaic Power Generation Company Limited*)	PRC	USD41,500,000	–	100	Infrastructure development and operation of photovoltaic power plants
淇縣爭峰新能源有限公司 (Qixian Zhengfeng New Energy Company Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of wind power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
陽信北控萬融新能源有限公司 (Yangxin North Control Wanrong New Energy Company Limited*)	PRC	RMB5,000,000	–	90	Infrastructure development and operation of wind power plants
北控清潔能源(海興)有限責任公司 (Beijing Enterprises Clean Energy (Haixing) Company Limited*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
南宮市航科新能源開發有限公司 (Nangong Hangke New Energy Development Company Limited*)	PRC	RMB480,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
Greatest Winner Limited (宏源有限公司**)	Hong Kong	HK\$1	–	100	Investment holding
Harvest Sunny International Limited (富歡國際有限公司**)	Hong Kong	HK\$1	–	100	Investment holding
New Channel (Hong Kong) Limited (立昌(香港)有限公司**)	Hong Kong	HK\$1	–	100	Investment holding
First Master (Hong Kong) Limited (豐美(香港)有限公司**)	Hong Kong	HK\$1	–	100	Investment holding
Top Cheers Industrial Limited (德昌實業有限公司**)	Hong Kong	HK\$10	–	100	Property investment

*Sino-foreign equity joint ventures

**Wholly-foreign-owned enterprises

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to Financial Statements

Year ended 31 December 2022

2.1 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 as further explained in note 2.4. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 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	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	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.

Notes to Financial Statements

Year ended 31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.