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

Contents

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.

Shandong Hi-Speed Holdings Group Limited#
(Stock Code: 412)

43.45%

Shandong Hi-Speed New Energy Group Limited#
(Stock Code: 1250)

Photovoltaic Power Business*

Hebei Province
Cangzhou ("滄州")
Chengde ("承德")
Xingtai ("邢台")
Yuxian ("蔚縣")

Henan Province
Anyang ("安陽")
Qixian Miaokou ("淇縣廟口")
Qixian Beiyang ("淇縣北陽")

Shandong Province
Xintai ("新泰")
Weishan ("微山")

Guizhou Province
Xingyi ("興義")
Pu'an Louxia ("普安樓下")
Pu'an Moshe ("普安磨舍")

Anhui Province
Jinzhai ("金寨")

Shaanxi Province
Yuyang ("榆陽")
Jingbian ("靖邊")

Jiangsu Province
Baoying ("寶應")

Guangdong Province
Kaiping ("開平")

Other Province and Autonomous Region
Zhongning ("中寧")
Nanchang ("南昌")

Wind Power Business

Henan Province
Qixian Huangdong ("淇縣黃洞")
Xinxiang Yuanyang ("新鄉原陽")
Xinxiang Fengqiu ("新鄉封丘")
Yexian Liancun ("葉縣廉村")
Yexian Dengli ("葉縣鄧李")

Shandong Province
Binzhou Lusa ("濱州魯薩")
Binzhou Yangxin ("濱州陽信")

The Inner Mongolia Autonomous Region
Baotou ("包頭")
Alashan ("阿拉善盟")

Hebei Province
Nangong ("南宮")

Shanxi Province
Wuxiang ("武鄉")

Clean Heat Supply Business

Shanxi Province
3 Projects

Liaoning Province
1 Project

The Ningxia Hui Autonomous Region
1 Project

Shaanxi Province
2 Projects

Shandong Province
1 Project

Shanghai Municipality
1 Project

Henan Province
1 Project

The Inner Mongolia Autonomous Region
1 Project

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;

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.

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*

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.

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".

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:

		2022			2021		
Location	**Photovoltaic resource area**	**Number of plants**	**Approximate total on-grid capacity (MW)**	**Approximate aggregate power generation (Note 1) (MWh)**	Number of plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (Note 1) (MWh)
PRC-Subsidiaries:							
Hebei Province	II/III	**17**	**597**	**798,469**	17	575	742,465
Henan Province	III	**3**	**268**	**318,390**	3	264	330,230
Shandong Province	III	**5**	**243**	**310,101**	5	248	306,197
Guizhou Province	III	**4**	**209**	**204,729**	4	211	204,160
Anhui Province	III	**6**	**189**	**233,296**	6	191	224,340
Shaanxi Province	II	**2**	**160**	**233,644**	2	160	241,563
Jiangxi Province	III	**3**	**125**	**130,494**	3	125	131,131
Jiangsu Province	III	**1**	**100**	**151,606**	1	100	138,004
The Ningxia Hui Autonomous Region	I	**1**	**100**	**147,469**	1	100	146,924
Hubei Province *(Note 2)*	III	**3**	**70**	**73,252**	3	70	49,270
Jilin Province	II	**1**	**30**	**40,888**	1	30	45,040
The Tibet Autonomous Region	III	**1**	**30**	**45,905**	1	30	43,811
Tianjin Municipality	II	**1**	**30**	**42,004**	1	30	40,231
Yunnan Province	II	**1**	**22**	**30,509**	1	22	32,026
Shanxi Province	III	**1**	**20**	**29,208**	1	20	29,322
Guangdong Province	III	**1**	**110**	**43,678**	1	10	843
		51	**2,303**	**2,833,642**	51	2,186	2,705,557
PRC-Joint ventures:							
Anhui Province	III	**1**	**60**	**82,157**	1	60	79,816
Hubei Province *(Note 2)*	III	**–**	**–**	**–**	–	–	19,199
		1	**60**	**82,157**	1	60	99,015
PRC-Sub-total		**52**	**2,363**	**2,915,799**	52	2,246	2,804,572
Overseas-Subsidiary:							
Whyalla, Southern Australia, Australia (Whyalla)	N/A	**1**	**6**	**5,487**	1	6	7,572
Total		**53**	**2,369**	**2,921,286**	53	2,252	2,812,144

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 (MW)**	**Approximate aggregate power generation (note 1) (MWh)**	Number of plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)
PRC-Subsidiaries:						
I	**1**	**100**	**147,469**	1	100	146,924
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.

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 *(hours)*	**1,264**	1,259	5 hours

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

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

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

The strategy of the Group's distributed photovoltaic power business is mainly divided into three parts. Firstly, we will focus on and give priority to state-owned enterprises and leading enterprises in the industry when selecting rooftop resources, and work closely with quality owners with good reputation and load absorbing capacity. Secondly, by virtues of the shareholders' resources, we strive to pioneer and build the first innovative "Photovoltaic + Sewage Treatment" model across the photovoltaic industry. Thirdly, we will 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 HiSpeed 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.

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:

		2022			2021		
Location	**Wind resource area**	**Number of Plants**	**Approximate total on-grid capacity (MW)**	**Approximate aggregate power generation (Note 1) (MWh)**	Number of Plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (Note 1) (MWh)
PRC-Subsidiaries:							
Henan Province	IV	**5**	**171**	**374,262**	5	171	421,101
Shandong Province	IV	**2**	**148**	**323,871**	2	148	213,560
The Inner Mongolia Autonomous Region	I	**4**	**119**	**367,936**	4	119	416,558
Hebei Province	IV	**1**	**100**	**273,662**	1	100	282,586
Shanxi Province	IV	**1**	**50**	**97,788**	1	50	87,684
Total		**13**	**588**	**1,437,519**	13	588	1,421,489

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 the are projects analysis by wind resource areas:

	2022			2021		
Wind resource area	**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)	Wind resource area (Note 1) (MWh)
PRC-Subsidiaries:						
I	**4**	**119**	**367,936**	4	119	416,558
IV	**9**	**469**	**1,069,583**	9	469	1,004,931
Total	**13**	**588**	**1,437,519**	13	588	1,421,489

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

Note 2: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects was approximately RMB0.45.

(b) *Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period*

	2022	2021	Changes
Weighted average utilisation ratio (%)	**98.21**	97.21	1.00%
Weighted average utilisation hours (hours)	**2,464**	2,902	–438 hours

During the Year, the weighted average utilisation hours of the Group reached 2,464 hours, which is lower than the corresponding period of the last year due to the windy season and better overall wind resources than the current year. The Group's wind power plant projects are mainly located in wind resource area IV as promulgated by the NDRC and therefore with a higher average utilisation hours. During the Year, the weighted average utilisation ratio of the Group was 98.21%, which was 1% higher as compared to the corresponding period of the last year.

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 2022 ('000 sq.m.)	31 December 2021 ('000 sq.m.)	Change (%)	**31 December 2022 (households)**	31 December 2021 (households)	Change (%)
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.

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.

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* (北控城投控股集團有限公司), an associate owned as to approximately 15% interest by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC; and (iii) the Group's investment in Tianjin Yili New Energy Technology Company Limited*(天津屹立新能源科技有限公司), an associate owned as to 35% interest by the Group and was principally engaged in the sales of solar thermal power generation products, research and development of emerging energy technologies, and engineering management services. The increase was mainly attributable to the share of profit and losses of associates during the Year.

2.13 Other non-current assets

It represented materials and equipment sold and delivered to third parties for the development of wind power plant projects.

2.14 Contract assets

Contract assets as at 31 December 2022 of approximately HK$1,086.7 million (2021: approximately HK$1,354.0 million) represented (i) gross receivables of approximately HK$514.9 million (2021: approximately HK$572.5 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects and were recognised according to construction progress; (ii) gross receivables of approximately HK$587.8 million (2021: approximately HK$839.1 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Project List; and (iii) loss allowances of contract assets of approximately HK$15.9 million (2021: approximately HK$57.6 million). The decrease in contract assets was mainly attributable to net effect of (i) the increase in the clean energy projects registered into the Project List; and (ii) the decrease in the extent of construction services provided for and settlements from customers during the Year.

2. 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.

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:

	For the year ended 31 December 2022		
Proposed use of the net proceeds raised	**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.

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 Beiqing 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.* (沈丘潁電新能源有限公司) (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.

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*

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.

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.

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* (山東菏澤發電廠) 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.

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	• 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	• 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.

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:

1. 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.

BOARD OF DIRECTORS (CONTINUED)

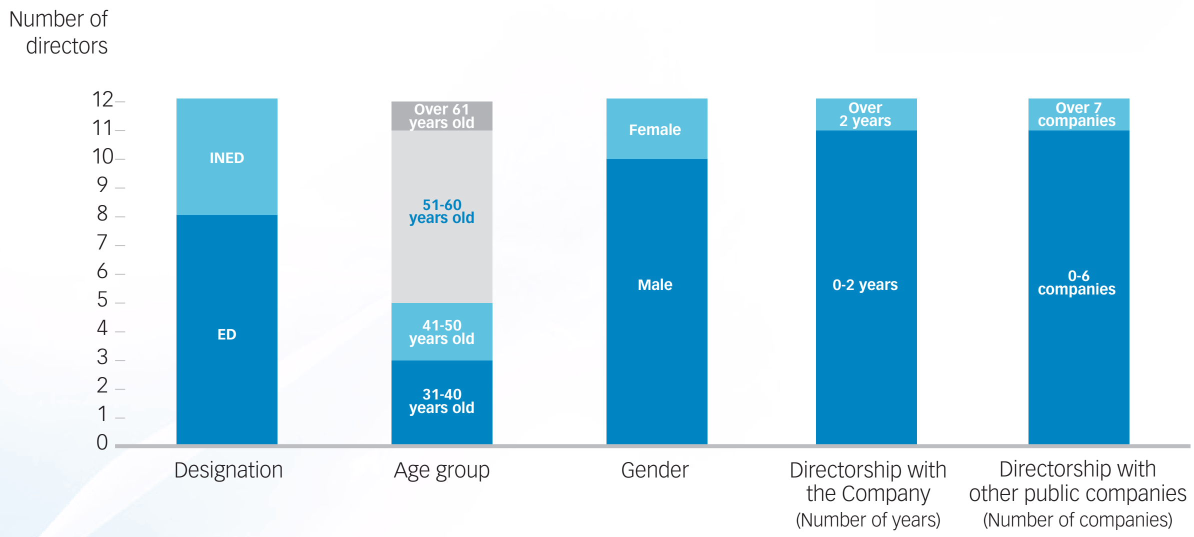
Nomination policy and Board diversity (Continued)

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".



Remarks: ED – Executive Directors
INED – Independent non-executive Directors

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 employers.

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.

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.

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.

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:

	Meetings attended/held							
Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Adjourned Annual General Meeting	Extraordinary General Meeting Held on 29 April 2022	Extraordinary General Meeting Held on 24 June 2022
Executive Directors								
Mr. Wang Xiaodong *(Chairman)*[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[9]	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.

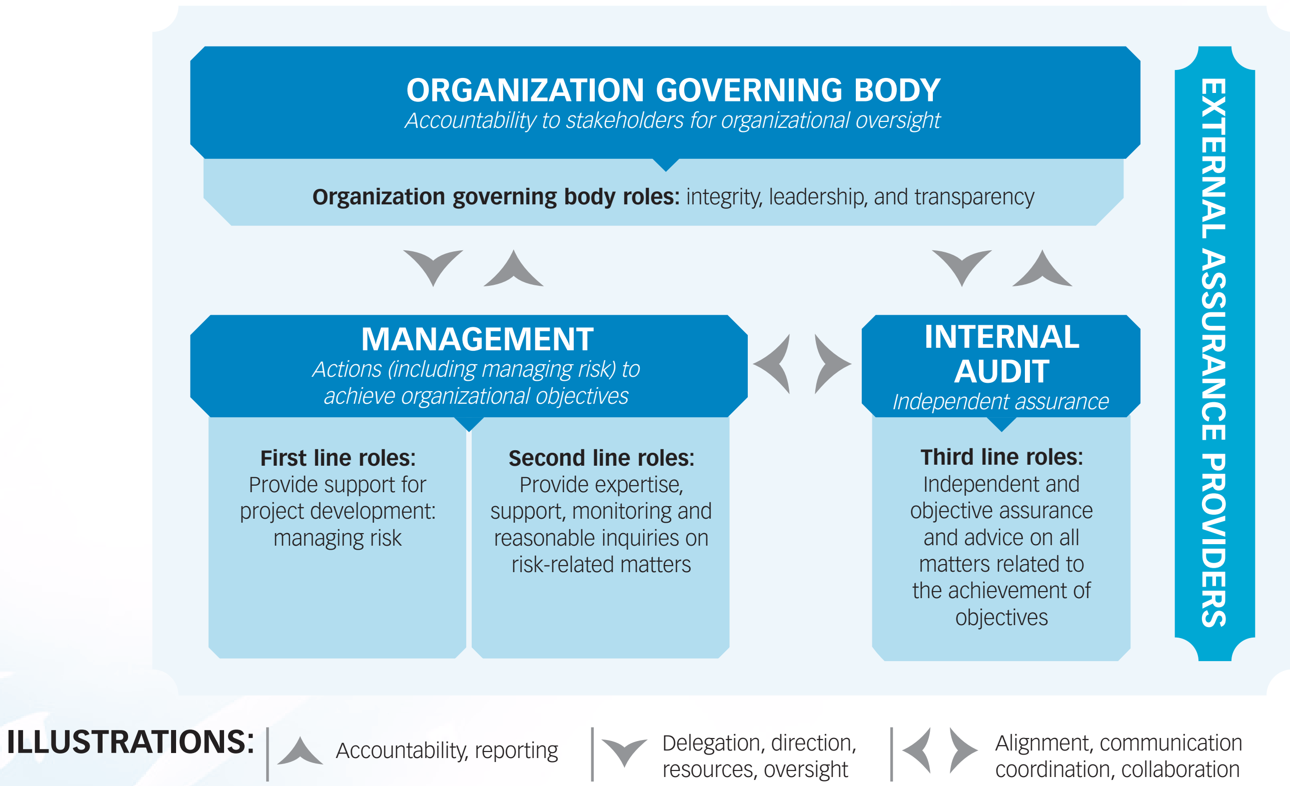
The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 78 to 82 of the "Independent Auditor's Report" in this annual report.

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:



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.

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 improperties 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.

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.

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 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 *(Joint Chairman)*[2]
Mr. Hu Xiaoyong *(Joint Chairman)*[3]
Mr. Yang Guang *(Chief Executive Officer)*[2]
Mr. Shi Xiaobei[2]
Mr. Tan Zaixing[3]
Ms. Huang Danxia[2]

DIRECTORS (CONTINUED)

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 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.

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.

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:

			Number of share options					
Category of participants/Name	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	As at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2022
Executive Directors								
Mr. Hu Xiaoyong *(Resigned as an executive Director on 16 May 2022)*	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 *(Resigned as an executive Director on 16 May 2022)*	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

Category of participants/Name	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Number of share options As at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2022
Independent non-executive Directors								
Mr. Li Fujun *(Resigned as an independent non-executive Director on 19 May 2022)*	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 *(Resigned as an independent non-executive Director on 19 May 2022)*	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:

1. The exercise price of all the outstanding Share Options under the Share Option Scheme is HK$0.08 per ordinary Share.

2. 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.

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(i))*	Long position	Interest of controlled corporation	7,594,936,710	6.76%
Citron PE Associates II, L.P. *(Note 4(i))*	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%
北京信聿投資中心 (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:

1. The approximate percentage was calculated on the basis of 112,329,436,304 shares of the Company in issue as at 31 December 2022.

2. 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.

3. 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.

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 Thernal 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.

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).

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 Beiqing, 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.

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:

1. (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.

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.

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

Consolidated Statement of Financial Position

31 December 2022

	Notes	31 December 2022 HK$'000	31 December 2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	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
		15,810,890	16,132,479
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

	Notes	Attributable to equity holders of the Company									
		Ordinary shares HK$'000	Share premium account HK$'000	Share option reserve HK$'000 (note 35)	Special reserves HK$'000 (note 36)	Statutory surplus reserve HK$'000 (note 36)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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**

	Notes	Attributable to equity holders of the Company										
		Ordinary shares HK$'000	Share premium account HK$'000	Share option reserve HK$'000 (note 35)	Special reserves HK$'000 (note 36)	Statutory surplus reserve HK$'000 (note 36)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Perpetual capital instrument HK$'000 (note 37)	Total HK$'000	Non-controlling interests HK$'000	Total equity 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		**2,631,480**	(1,443,038)
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 Direct	Indirect	Principal activities
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 Beiqing Smart Energy Company Limited*) ("Beiqing 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

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 (Shangdong Hi-Speed Thernal Group Company Limited*)	PRC	RMB960,000,000	–	71.08	Infrastructure development and provision of clean heat supply services
北控智慧能源（淩源）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 Xingyejinxiu New Energy Co., Ltd.*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic 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	
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.

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the statement of profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss, financial asset at fair value through other comprehensive income and financial guarantee contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, deferred tax assets, inventories, other tax recoverables, contract assets, financial assets, investment properties and a disposal group classified as Property, plant and equipment), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Certain properties included in property, plant and equipment were in progress of application of property ownership certificates as at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	5% to 10%
Plant and machinery	10% to 20%
Motor vehicles	10%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents photovoltaic and wind power plants, and clean heat supply facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in an office and car parking spaces held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of the investment properties is recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Service concession arrangements

Consideration given by the grantor

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent to the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

Construction services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out in "Construction recognition" and set out in "Revenue" below.

Entrusted operating

Revenue relating to entrusted operating is accounted for in accordance with the policy for "Entrusted operating" and set out in "Revenue" below. Costs for entrusted operating are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is to operate and maintain the facilities at a specified level of serviceability and to restore the facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to restore the facilities, except for upgrade elements, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating concessions

Operating concessions representing the rights to operate a photovoltaic power plant and clean heat supply facilities are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 25 to 30 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Operating rights

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid Corporation of China ("State Grid") for the sale of electricity, operating licences granted by local governments and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and local government authorities for the operating licences granted by local governments. The operating rights were acquired through business combinations and initially measured at fair value. Operating rights are subsequently carried at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Computer software

Computer software is stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 5 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	Over the lease terms
Land leases	Over the lease terms
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	5% to 10%

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when contractual payments are past due, in general, over 2 to 3 years based on the historical pattern and credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach

For contract assets and trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For contract assets and trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Perpetual capital instrument

The perpetual capital instrument with no contracted obligation to repay the principal or to pay any distribution is classified as part of equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provision above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of electricity, provision of clean heat supply services and trading income

Revenue from the sale of electricity, provision of clean heat supply services and trading income is recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the electricity or goods. Payment is generally due within 30 days from date of billing for the sale of electricity. For trading income, payment is generally due within 30 days to 90 days from delivery of goods. Payment in advance is normally required for the provision of clean heat supply services.

(b) Tariff adjustment

Tariff adjustment, which represents subsidies received and receivable from the government authorities in respect of the Group's photovoltaic and wind power plant operations, is recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the electricity, and when the Group assessed that it has complied with all conditions to qualify to be registered into the Subsidy Catalogues. Payment is generally made upon registering into the Subsidy Catalogues.

(c) Construction and related services

Revenue from the provision of construction and related services, including construction revenue under Build-Operate-Transfer (the "BOT") contracts, is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction and related services.

Revenue from the construction of photovoltaic power plants and clean heat supply facilities under the terms of the BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction and related services rendered in the PRC, and is recognised over time, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The Group's entitlement to the final payment on the provision of construction services is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(d) Entrusted operations

Revenue from the entrusted operations is recognised at the point in time generally upon completion of delivery of services. The services are billed based on the services performed. Payment is generally due within 30 days to 90 days from the date of billing.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract balances

(a) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, contract assets are recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

(b) Trade receivables

A trade receivable represents the Group’s right to an amount of consideration that is unconditional.

(c) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.

Other employee benefits

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made 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 scheme. The employer contributions vest fully once made.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the construction in progress, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Mainland China subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and statements of other comprehensive income are translated into HK$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of Mainland China and overseas subsidiaries, joint ventures and associates are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Mainland China subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments in limited partnerships

The Group has invested in limited partnerships as a junior limited partner. The directors of the Company assessed whether or not the Group has control, joint control or significant influence over these limited partnerships based on whether the Group has the practical ability to direct the relevant activities of these limited partnerships to affect the returns. In making the judgement, the directors considered whether the Group has the power to the relevant activities of the limited partnerships (e.g., investment and operation decisions, approval of budget, etc.) in the limited partnerships' partners meeting, investment committee meetings or any other management committee (if any), and the Group's exposure to variable returns from its involvement in the limited partnerships. After the assessment, the directors concluded that the Group has joint control over the limited partnerships. Further details of the investments in the limited partnerships are set out in note 20 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates, if available. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the clean energy sector, the historical default rates are adjusted.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets (Continued)

If the historical default information is not available due to the nature of the businesses, especially those receivables related to the construction of the clean energy businesses, the Group has assessed ECLs based on risks of default and the loss given default percentage based on customers segments. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 24 and 25 to the financial statements, respectively.

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

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, losses given default and collateral recovery, changes in which can result in different levels of allowances. The Group's expected credit loss calculations on bills receivable, deposits and other receivables are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward-looking estimates (such as gross domestic product, unemployment rate and market volatility) at the end of each reporting period. The Group reviews its models in the context of actual loss experience regularly and adjusts then, when necessary. Further details of the Group's bills receivable and deposits and other receivables, and the impairment disclosures are given in notes 25 and 26 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amount of goodwill as at 31 December 2022 was HK$461,630,000 (2021: HK$547,837,000), details of which are set out in note 16 to the financial statements.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on the historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of another operating segment. Particulars of the Group's reportable operating segments are summarised as follows: (a) the construction-related business segment engages in the provision of construction and related services of the clean energy business and (b) the operation of clean energy projects segment engages in the investment and development of the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business.

The Group has expanded significantly in the past few years mainly through acquisitions on businesses of the sale of electricity and provision of clean heat supply services. During the year, management has separately reviewed and evaluated for management-related purposes under the above-mentioned segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment results represent the profit earned by each segment before corporate and other unallocated income and expenses, finance costs and share of profits and losses of joint ventures and associates. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	Construction-related business HK$'000	Operation of clean energy projects HK$'000	Total HK$'000
Segment revenue	403,139	4,893,058	5,296,197
Intersegment sales	–	–	–
	403,139	4,893,058	5,296,197
Segment results	(4,356)	615,000	610,644
Elimination of intersegment results			–
Corporate and other unallocated income and expenses, net			7,670
Share of profits of:			
Joint ventures			4,544
Associates			25,759
Finance costs (other than interest on lease liabilities)			(365,151)
Profit before tax			283,466
Other segment information:			
Capital expenditure*			
– Operating segments	440	1,093,469	1,093,909
– Amount unallocated			134
			1,094,043
Depreciation and amortisation			
– Operating segments	19,793	1,559,382	1,579,175
– Amount unallocated			172
			1,579,347
(Reversal of impairment)/impairment of financial assets and contract assets, net**			
– Operating segments	(43,871)	64,274	20,403
– Amount unallocated			4,077
			24,480
Impairment of property, plant and equipment**			
– Operating segments	–	92,210	92,210
Impairment of goodwill**			
– Operating segments	–	42,093	42,093
Reversal of impairment of service concession arrangements**			
– Operating segments	–	(59,884)	(59,884)
Impairment of operating rights**			
– Operating segments	–	19,881	19,881

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

	Construction-related business HK$'000	Operation of clean energy projects HK$'000	Total HK$'000
Segment revenue	1,362,039	5,229,038	6,591,077
Intersegment sales	(567,658)	–	(567,658)
	794,381	5,229,038	6,023,419
Segment results	(623,181)	799,460	176,279
Elimination of intersegment results			(14,693)
Corporate and other unallocated income and expenses, net			(151,496)
Share of profits of:			
Joint ventures			17,815
Associates			36,909
Finance costs (other than interest on lease liabilities)			(329,688)
Loss before tax			(264,874)
Other segment information:			
Capital expenditure*			
– Operating segments	19,187	1,404,104	1,423,291
– Amount unallocated			3,507
			1,426,798
Depreciation and amortisation			
– Operating segments	21,669	1,652,389	1,674,058
– Amount unallocated			13,927
			1,687,985
Impairment/ (reversal of impairment) of financial assets and contract assets, net**			
– Operating segments	479,878	144,443	624,321
– Amount unallocated			(1,935)
			622,386
Reversal of impairment of an investment in an associate**			
– Amount unallocated			(53,551)
Impairment of property, plant and equipment**			
– Operating segments	–	130,722	130,722
Impairment of service concession arrangements**			
– Operating segments	–	168,956	168,956

4. OPERATING SEGMENT INFORMATION (CONTINUED)

* Capital expenditure consists of additions to property, plant and equipment, operating concessions and other intangible assets, excluding assets from the acquisition of subsidiaries.

** These amounts are recognised in the consolidated statement of profit or loss.

No segment assets and liabilities are disclosed as their information is not regularly provided to the chief operating decision makers.

Geographical information

Geographical segment information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of segment geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the years ended 31 December 2022 and 2021, there was no single external customer, to which the sales were made contributed over 10% of the Group's total revenue for the years.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts with customers		
Sale of electricity and entrusted operation services		
Photovoltaic Power Business	**2,998,391**	3,125,977
Wind Power Business	**750,676**	815,895
Entrusted operations	**220,430**	194,734
Construction and related services	**403,139**	794,381
Provision of clean heat supply services	**923,561**	1,092,432
	5,296,197	6,023,419

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 HK$'000	2021 HK$'000
By timing of revenue recognition:		
Transferred at a point in time	**4,951,030**	5,403,709
Transferred over time	**345,167**	619,710
Total revenue from contracts with customers	**5,296,197**	6,023,419

(ii) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end of the reporting period are as follows:

	2022 HK$'000	2021 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**37,232**	161,949
After one year	**–**	20,236
	37,232	182,185

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year (2021: within two years).

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

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

	2022	2021
	HK$'000	HK$'000
Bank interest income	**8,554**	6,928
Other interest income[@]	**29,976**	9,687
Government grants[#]	**35,298**	57,203
Contingent consideration adjustment arising from acquisition in prior years	**38,711**	–
Reversal of impairment of investment in an associate	**–**	53,551
Gains on bargain purchase of subsidiaries (note 39)	**2,243**	13,922
Gains on disposal of subsidiaries (note 40)	**682**	782
Fair value gain on financial assets at fair value through profit or loss	**10,650**	21,528
Gain on debt restructuring	**37,878**	–
Gains on remeasurement from step acquisition of a former joint venture to a subsidiary	**–**	18,855
Gains on disposal of a joint venture	**–**	3,178
Management income	**22,395**	13,827
Others	**32,559**	17,433
	218,946	216,894

@ Other interest income represents interest income from loans to related parties and independent third parties for the development and operation of the clean energy business, further details of which are set out in note 26 to the financial statements.

The government grants mainly represent government subsidies and value-added tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Cost of sales of electricity and entrusted operation services		**1,536,662**	1,720,345
Cost of construction and related services		**342,739**	730,009
Cost of clean heat supply services		**856,301**	996,542
Depreciation of property, plant and equipment@	14	**1,195,805**	1,159,238
Depreciation of right-of-use assets recognised under property, plant and equipment@	14	**254,637**	340,230
Amortisation of operating concessions*	17	**91,274**	127,748
Amortisation of operating rights*	18	**34,494**	56,973
Amortisation of other intangible assets#	19	**3,137**	3,796
Lease payments not included in the measurement of lease liabilities		**20,023**	19,075
Auditor's remuneration		**11,182**	5,782
Employee benefit expenses (excluding directors' remuneration (note 8)):			
Salaries, allowances and benefits in kind		**168,447**	179,627
Equity-settled share option expenses, net	35	**2,031**	7,604
Net pension scheme contributions		**27,129**	24,952
Welfare and other expenses		**18,068**	5,190
		215,675	217,373
Foreign exchange differences, net		**31,736**	32,677
(Reversal of impairment)/impairment of financial assets and contract assets:			
(Reversal of impairment)/impairment of contract assets**	24	**(38,374)**	21,034
Impairment of trade and bills receivables**	25	**52,006**	39,951
Impairment of financial assets included in prepayments, deposits and other receivables**	26	**10,848**	561,401
Reversal of impairment of an investment in an associate	21	**–**	(53,551)
Impairment of property, plant and equipment**	14	**92,210**	130,722
(Reversal of impairment)/impairment of service concession arrangements**	17	**(59,884)**	168,956
Impairment of operating rights**	18	**19,881**	–
Impairment of goodwill**	16	**42,093**	–
Gain on remeasurement from step acquisition of a former joint venture to a subsidiary		**–**	(18,855)
Gains on disposal of a joint venture		**–**	(3,178)
Losses on disposal of an associate		**–**	30,570
Losses on disposal of property, plant and equipment**		**13,336**	–
Fair value loss on financial guarantees**		**3,328**	622
Gains on disposal of subsidiaries, net***	40	**(682)**	(782)
Gains on bargain purchase of subsidiaries***	39	**(2,243)**	(13,922)

6. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

@ Depreciation for the year amounting to HK$1,440,122,000 and HK$10,320,000 (2021: HK$1,489,780,000 and HK$9,688,000) is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss, respectively.

* Amortisation of operating concessions and operating rights for the year are included in "Cost of sales" in the consolidated statement of profit or loss.

Amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

** (Reversal of impairment)/impairment of financial assets and contract assets, impairment of property, plant and equipment, (reversal of impairment)/impairment of service concession arrangements, impairment of operating rights, impairment of goodwill, fair value gain on financial guarantees for the year, losses on disposal of property, plant and equipment, are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

*** Gains on bargain purchase of subsidiaries and gains on disposal of subsidiaries for the year are included in "Other income and gains, net" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	**1,583**	1,186
Other emoluments:		
Salaries, allowances and benefits in kind	**4,482**	14,894
Performance related bonuses*	**3,750**	4,141
Equity-settled share option expense	**1,784**	7,079
Pension scheme contributions	**162**	140
	10,178	26,254
Total	**11,761**	27,440

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

Further details of share options are set out in note 35 to the financial statements.

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year were as follows:

2022

	Fees HK$'000	**Equity-settled share option expense HK$'000**	**Total remuneration HK$'000**
Independent non-executive directors:			
Professor Shen Zuojun[1]	**136**	**–**	**136**
Mr. Victor Huang[2]	**136**	**–**	**136**
Mr. Yang Xiangliang[3]	**136**	**–**	**136**
Mr. Chiu Kung Chik	**191**	**72**	**263**
Mr. Li Fujun[4]	**55**	**26**	**81**
Mr. Xu Honghua[5]	**55**	**26**	**81**
	709	**124**	**833**

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors (Continued)

2021

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Independent non-executive directors:			
Mr. Chiu Kung Chik	144	107	251
Mr. Li Fujun[4]	144	107	251
Mr. Xu Honghua[5]	144	107	251
	432	321	753

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

1 Appointed as an independent non-executive director of the Company on 19 May 2022.

2 Appointed as an independent non-executive director of the Company on 19 May 2022.

3 Appointed as an independent non-executive director of the Company on 19 May 2022.

4 Resigned as an independent non-executive director of the Company on 19 May 2022.

5 Resigned as an independent non-executive director of the Company on 19 May 2022.

(b) Executive directors

The remuneration paid to executive directors during the year were as follows:

2022

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Wang Xiaodong[6]	–	–	–	–	–	–
Mr. Zhu Jianbo[7]	136	–	–	–	–	136
Mr. Wang Wenbo[8]	–	–	–	–	–	–
Mr. Sun Qingwei[9]	–	–	–	–	–	–
Mrs. Liao Jianrong[10]	136	–	–	–	–	136
Mr. Li Li[11]	136	–	–	–	–	136
Mr. He Yongbing[12]	–	–	–	–	–	–
Mrs. Ai Yan[13]	136	–	–	–	–	136
Mr. Zhang Tiefu[14]	55	1,197	1,000	–	51	2,303
Mr. Hu Xiaoyong[15]	55	1,324	1,000	1,386	9	3,774
Mr. Yang Guang[16]	55	1,197	1,000	–	51	2,303
Mr. Shi Xiaobei[17]	55	–	–	–	–	55
Mr. Tan Zaixing[18]	55	764	750	274	51	1,894
Mrs. Huang Danxia[19]	55	–	–	–	–	55
	874	4,482	3,750	1,660	162	10,928

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors (Continued)

2021

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Zhang Tiefu[14]	89	1,225	750	–	33	2,097
Mr. Hu Xiaoyong[15]	144	11,094	1,262	5,990	10	18,500
Mr. Yang Guang[16]	89	1,225	750	–	33	2,097
Mr. Shi Xiaobei[17]	144	–	–	–	–	144
Mr. Tan Zaixing[18]	144	1,350	1,379	768	64	3,705
Mrs. Huang Danxia[19]	144	–	–	–	–	144
	754	14,894	4,141	6,758	140	26,687

6 Appointed as an executive director and the Chairman of the Company on 19 May 2022, and agreed to waive any remuneration.

7 Appointed as an executive director of the Company on 19 May 2022.

8 Appointed as an executive director of the Company on 19 May 2022, and agreed to waive any remuneration.

9 Appointed as an executive director of the Company on 19 May 2022, and agreed to waive any remuneration.

10 Appointed as an executive director of the Company on 19 May 2022.

11 Appointed as an executive director of the Company on 19 May 2022.

12 Appointed as an executive director of the Company on 19 May 2022, and agreed to waive any remuneration.

13 Appointed as an executive director of the Company on 19 May 2022.

14 Resigned as an executive director and the Chairman of the Company on 19 May 2022.

15 Resigned as an executive director and the Joint Chairman of the Company on 16 May 2022.

16 Resigned as an executive director of the Company on 19 May 2022.

17 Resigned as an executive director of the Company on 19 May 2022.

18 Resigned as an executive director of the Company on 16 May 2022.

19 Resigned as an executive director of the Company on 19 May 2022.

During the year ended 31 December 2017 and 31 December 2020, share options were granted to the Directors in respect of their services to the Group under the share option scheme of the Company, details of which are set out in note 35 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined at the date of grant and the amounts included in the financial statements for the current year is included in the above Directors' disclosures.

During the year, Mr. Wang Xiaodong, Mr. Wang Wenbo, Mr. Sun Qingwei and Mr. He Yongbing agreed to waive emoluments of approximately HK$544,000 in aggregate. There was no agreement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2021: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,077**	673
Performance related bonuses	**1,866**	857
Equity-settled share option expense	**768**	29
Pension scheme contributions	**163**	61
	5,874	1,620

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
	HK$'000	HK$'000
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	2	1

During the year and in prior years, share options were granted to a non-directors highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-directors and non-chief executive highest paid employee's remuneration disclosures.

10. INCOME TAX EXPENSE

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

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

	2022 **HK$'000**	2021 HK$'000
Current – Mainland China		
Charge for the Year	**247,615**	217,448
Underprovision in prior years	**11,861**	4,058
Deferred (note 33)	**(201,821)**	(197,546)
Total tax expense for the Year	**57,655**	23,960

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year is as follows:

	2022 **HK$'000**	2021 HK$'000
Profit/(loss) before tax	**283,466**	(264,874)
Tax expense at the statutory tax rate	**70,867**	(66,219)
Tax concession	**(186,058)**	(188,978)
Adjustments in respect of current tax of previous periods	**11,861**	4,058
Profit or loss attributable to joint ventures and associates	**(7,576)**	(13,681)
Income not subject to tax	**(839)**	(4,373)
Expenses not deductible for tax	**79,027**	108,754
Tax losses not recognised	**119,460**	202,033
Tax losses utilised from previous periods	**(29,087)**	(17,634)
Tax expense for the year	**57,655**	23,960

Share of tax expense attributable to joint ventures amounting to HK$8,243,000 (2021: HK$6,964,000) and the share of tax attributable to associates amounting to HK$42,836,000 (2021: share of tax credit attributable to associates amounting to HK$12,303,000) are included in "Share of profits and losses of joint venture/associates" in the consolidated statement of profit or loss.

11. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to various agreements made between the Group's subsidiaries and the People's Governments of certain regions of the PRC from September to November 2022, the Group's subsidiaries agreed to dispose of the assets for the heating service to the People's Governments of certain regions within one year. As these disposals were not completed as at 31 December 2022, the assets of the Group's subsidiaries were classified as held for sale.

	2022 **HK$'000**
Assets	
Property, plant and equipment	**375,923**
Operating concessions	**272,589**
Others	**126,018**
Assets classified as held for sale	**774,530**

12. DIVIDENDS

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

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

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

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets.				Owned assets									
	Properties HK$'000	Land leases HK$'000	Photovoltaic and wind power plants HK$'000	Sub-total HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2022														
At 1 January 2022														
Cost	670,592	863,437	6,305,610	7,839,639	518,581	1,272	22,369,733	1,195,083	124,124	22,445	181,446	625,319	25,038,003	32,877,642
Accumulated depreciation	(73,298)	(92,228)	(902,682)	(1,068,208)	(92,817)	(1,183)	(3,706,499)	(153,870)	(8,943)	(14,720)	(85,549)	(13,448)	(4,077,029)	(5,145,237)
Net carrying amount	597,294	771,209	5,402,928	6,771,431	425,764	89	18,663,234	1,041,213	115,181	7,725	95,897	611,871	20,960,974	27,732,405
At 1 January 2022	597,294	771,209	5,402,928	6,771,431	425,764	89	18,663,234	1,041,213	115,181	7,725	95,897	611,871	20,960,974	27,732,405
Additions	88,256	69,032	83,760	241,048	2,946	108	66,477	3,322	2,061	956	10,103	1,055,786	1,141,759	1,382,807
Impairment loss (note 6)	-	-	-	-	-	-	(60,321)	(3,818)	-	-	-	(28,071)	(92,210)	(92,210)
Disposals	-	-	-	-	(711)	-	(18,091)	(1,345)	(1,122)	(38)	(109)	(1,381)	(22,797)	(22,797)
Depreciation provided during the year (note 6)	(29,884)	(33,743)	(191,010)	(254,637)	(23,509)	(41)	(1,095,744)	(51,166)	(5,626)	(2,535)	(17,184)	-	(1,195,805)	(1,450,442)
Disposal of subsidiaries (note 40)	-	-	-	-	-	-	-	-	-	(16)	(8)	(15,153)	(15,177)	(15,177)
Transfers	-	-	(2,031,398)	(2,031,398)	-	-	2,660,098	26,125	-	-	-	(654,825)	2,031,398	-
Transfer to held for sale	-	(14,932)	-	(14,932)	(16,407)	-	-	(329,477)	(20,612)	(609)	(3,703)	(1,356)	(372,164)	(387,096)
Exchange realignment	(47,454)	(59,683)	(352,284)	(459,421)	(31,537)	-	(1,474,914)	(69,500)	(8,096)	(527)	(7,034)	(50,905)	(1,642,513)	(2,101,934)
At 31 December 2022, net of accumulated depreciation	608,212	731,883	2,911,996	4,252,091	356,546	156	18,740,739	615,354	81,786	4,956	77,962	915,966	20,793,465	25,045,556
At 31 December 2022:														
Cost	697,071	838,904	3,549,608	5,085,583	463,703	1,380	23,212,407	774,440	93,722	20,101	171,957	924,078	25,661,788	30,747,371
Accumulated depreciation	(88,859)	(107,021)	(637,612)	(833,492)	(107,157)	(1,224)	(4,471,668)	(159,086)	(11,936)	(15,145)	(93,995)	(8,112)	(4,868,323)	(5,701,815)
Net carrying amount	608,212	731,883	2,911,996	4,252,091	356,546	156	18,740,739	615,354	81,786	4,956	77,962	915,966	20,793,465	25,045,556

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets.					Owned assets									
	Properties HK$'000	Land leases HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'000	Sub-total HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2021															
At 1 January 2021															
Cost	554,467	775,457	8,066,019	90,064	9,486,007	348,571	14,417	17,618,626	716,381	74	17,044	96,751	1,594,925	20,406,789	29,892,796
Accumulated depreciation	(47,392)	(58,450)	(1,990,978)	(90,064)	(2,186,884)	(93,288)	(9,512)	(1,171,040)	(16,752)	(34)	(8,098)	(60,159)	–	(1,358,883)	(3,545,767)
Net carrying amount	507,075	717,007	6,075,041	–	7,299,123	255,283	4,905	16,447,586	699,629	40	8,946	36,592	1,594,925	19,047,906	26,347,029
At 1 January 2021	507,075	717,007	6,075,041	–	7,299,123	255,283	4,905	16,447,586	699,629	40	8,946	36,592	1,594,925	19,047,906	26,347,029
Additions	84,541	62,736	23,792	–	171,069	–	–	430,713	4,521	78	1,620	4,455	905,454	1,346,841	1,517,910
Impairment loss (note 6)	–	–	–	–	–	–	–	(117,505)	–	–	–	–	(13,217)	(130,722)	(130,722)
Disposals	–	–	–	–	–	–	–	(158)	(1,573)	(24)	(6)	(3,865)	–	(5,626)	(5,626)
Acquisition of subsidiaries (note 39)	15,461	–	290,041	–	305,502	–	–	267,070	–	–	293	36	66,363	333,762	639,264
Depreciation provided during the year (note 6)	(27,403)	(32,184)	(280,643)	–	(340,230)	(22,020)	(72)	(1,045,649)	(62,054)	(5,820)	(3,390)	(20,233)	–	(1,159,238)	(1,499,468)
Transfers	–	–	(886,200)	–	(886,200)	182,909	(4,813)	2,113,465	372,639	118,922	–	76,744	(1,973,666)	886,200	–
Exchange realignment	17,620	23,650	180,897	–	222,167	9,592	69	567,712	28,051	1,985	262	2,168	32,012	641,851	864,018
At 31 December 2021, net of accumulated depreciation	597,294	771,209	5,402,928	–	6,771,431	425,764	89	18,663,234	1,041,213	115,181	7,725	95,897	611,871	20,960,974	27,732,405
At 31 December 2021:															
Cost	670,592	863,437	6,305,610	–	7,839,639	518,581	1,272	22,369,733	1,195,083	124,124	22,445	181,446	625,319	25,038,003	32,877,642
Accumulated depreciation	(73,298)	(92,228)	(902,682)	–	(1,068,208)	(92,817)	(1,183)	(3,706,499)	(153,870)	(8,943)	(14,720)	(85,549)	(13,448)	(4,077,029)	(5,145,237)
Net carrying amount	597,294	771,209	5,402,928	–	6,771,431	425,764	89	18,663,234	1,041,213	115,181	7,725	95,897	611,871	20,960,974	27,732,405

At 31 December 2022, certain of the Group's property, plant and equipment with a net carrying amount of HK$11,744,094,000 (2021: HK$12,702,970,000) were also pledged to secure certain interest-bearing bank and other borrowings (note 31(b)(iii)).

15. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January and 31 December	**162,000**	162,000

Notes:

(a) The Group's investment properties consist of an office floor and 4 car parking spaces in Hong Kong and were revalued on 31 December 2022 based on valuations performed by an independent professionally qualified valuer. Each year, the Group's senior management decides which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

(b) Fair value hierarchy disclosure

The fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13. A reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy is as follows:

	Office floor and parking spaces HK$'000
Carrying amount at 1 January 2021	162,000
Loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	–
Carrying amount at 31 December 2021 and 1 January 2022	162,000
Loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	–
Carrying amount at 31 December 2022	162,000

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's investment properties:

Valuation technique	**Significant unobservable inputs**	**Weighted average input**	
Direct comparison method	Price per square feet	As at 31 December 2022 Office floor: HK$16,900 per square feet	As at 31 December 2021 Office floor: HK$17,300 per square feet
		Car parking spaces: HK$1,800,000 per space	Car parking spaces: HK$1,800,000 per space

The valuation of the investment properties was based on the direct comparison method by reference to comparable market transactions. A significant increase (decrease) in the estimated rental value per annum in isolation would result in a significant increase (decrease) in the fair value of the properties.

16. GOODWILL

	Notes	2022 HK$'000	2021 HK$'000
Cost and net carrying amount:			
At 1 January		**547,837**	490,682
Impairment loss	6	**(42,093)**	–
Acquisition of subsidiaries	39	**–**	41,038
Disposal of subsidiaries	40	**(2,732)**	–
Exchange realignment		**(41,382)**	16,117
At 31 December		**461,630**	547,837

Impairment testing of goodwill

The net carrying amount of the goodwill acquired through acquisitions of subsidiaries is separated into the investment, development, construction, operation and management of (i) the Photovoltaic Power Business and the Wind Power Business; and (ii) the Clean Heat Supply Business.

	2022 HK$'000	2021 HK$'000
Net carrying amount of goodwill		
Photovoltaic Power Business and the Wind Power Business	**410,242**	447,914
Clean Heat Supply Business	**51,388**	99,923
	461,630	547,837

The recoverable amounts have been determined by reference to business valuations performed by the independent professionally qualified valuers, using cash flow projections which are based on financial forecast approved by senior management covering a period up to 20 years for the Wind Power Business, and up to 25 years for the Photovoltaic Power Business and the Clean Heat Supply Business, based on the assumption that the size of the operations remains constant.

During the year ended 31 December 2022, an impairment loss of HK$42,093,000 has been provided as the recoverable amount of the goodwill for Clean Heat Supply Business was less than its carrying amount. The impairment loss arose as a result of the less than satisfactory past and expected performance of subsidiaries engaged in Clean Heat Supply Business.

16. GOODWILL (CONTINUED)

Key assumptions used in estimations of the recoverable amounts

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

Photovoltaic Power Business and Wind Power Business

- Budgeted revenue

  – The budgeted revenue is based on the projected electricity sales volume and the latest electricity selling prices and tariff charges as issued by the National Development and Reform Commission of the PRC applicable to the respective projects.

- Budgeted gross margin

  – The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margin of ranging from 60.7% to 62.4% (2021: 58.0% to 65.3%) achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.

- Discount rate

  – The pre-tax discount rates of ranging from 6.06% to 8.26% (2021: 7.26% to 9.53%) are used and reflects specific risks of the respective units (group of cash-generating units) and is determined by reference to the discount rates for similar industries.

- Business environment

  – There will be no major changes in the existing political, legal and economic conditions in Mainland China.

The determination of the recoverable amount of the Photovoltaic Power Business and the Wind Power Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the discount rate for the year ended 31 December 2022. An increase of 0.5% (2021: 0.5%) in the discount rate adopted would result in the reduction of the recoverable amount of approximately HK$204 million (2021: HK$351 million).

16. GOODWILL (CONTINUED)

Key assumptions used in estimations of the recoverable amounts (Continued)

Clean Heat Supply Business

- Budgeted revenue

  – The budgeted revenue is based on the projected area for heat supply and the heat supply sales unit price.

- Budgeted gross margin

  – The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margin of 7.3% (2021: 8.8%) achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.

- Discount rate

  – The pre-tax discount rates of ranging from 7.32% to 9.17% (2021: 7.77% to 9.92%) is used and reflects specific risks of the respective units (group of cash-generating units) and is determined by reference to the discount rates for similar industries.

- Business environment

  – There will be no major changes in the existing political, legal and economic conditions in Mainland China.

The determination of the recoverable amount of the Clean Heat Supply Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the following key assumptions for the year ended 31 December 2022:

– An increase of 0.5% (2021: 0.5%) in the discount rate adopted would result in the reduction of the recoverable amount of approximately HK$68 million (2021: HK$39 million).

– An increase of 0.5% (2021: 0.5%) in the cost inflation of clean heat materials would result in the reduction of the recoverable amount of approximately HK$87 million (2021: HK$150 million).

In the opinion of the Directors, any reasonably possible change in any of the above assumptions would not cause the cash-generating units' recoverable amounts to fall below their carrying amounts.

17. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into certain service concession arrangements with governmental authorities in Mainland China on a Build-Operate-Transfer (the "BOT") basis in respect of its Photovoltaic Power Business and Clean Heat Supply Business. These service concession arrangements generally involve the Group as an operator in (i) constructing photovoltaic power plants and clean heat supply facilities (collectively, the "Facilities") for those arrangements on a BOT basis; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 25 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through specific pricing mechanisms. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Group and the relevant governmental authority in Mainland China setting out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Period, and/or arrangements for arbitrating disputes.

At 31 December 2022, the Group had 1 and 3 (2021: 1 and 4) service concession arrangements in the operation on the Photovoltaic Power Business and the Clean Heat Supply Business, respectively, with the respective governmental authorities in Mainland China, and a summary of the major terms of these service concession arrangements is set out as below:

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	新泰市採煤沉陷區光伏領跑技術基地100MW項目 (A 100MW project in the advanced photovoltaic technology demonstration base in the coal mining subsidence area of Xintai City*)	Xintai City, Shandong Province, the PRC*	新泰市人民政府 (Xintai City People's Government*)	BOT on sale of photovoltaic power	25 years from 2017 to 2042
山西山高綠威環能科技有限公司 (Shanxi Shangao Lvwei Huanneng Technology Company Limited*)	山西興縣燃氣供熱項目 (A natural gas heat supply project in Xing County, Shanxi Province*)	Xing County, Lvliang City, Shanxi Province, the PRC*	興縣住房保障和城鄉建設管理局 (Xing County Housing Protection and Urban-Rural Development Administration*)	BOT on natural gas heat supply services	30 years from 2017 to 2047

17. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
安澤縣山高熱力有限公司 (Anze County Shangao Heat Energy Company Limited*)	山西省臨汾市安澤縣城區集中供熱項目 (A centralised city heat supply project in Anze County, Linfen City, Shanxi Province*)	Anze County, Linfen City, Shanxi Province, the PRC*	安澤縣人民政府 (Anze County People's Government*)	BOT on clean heat supply	30 years from 2017 to 2047
文水山高供熱有限公司 (Wenshui Shangao Heat Supply Company Limited*)	山西省呂梁市文水縣城市集中供熱項目 (A centralised city heat supply project in Wenshui County, Lvliang City, Shanxi Province*)	Wenshui County, Lvliang City, Shanxi Province, the PRC*	文水縣人民政府 (Wenshui County People's Government*)	BOT on clean heat supply	30 years from 2014 to 2044
長子縣北控供熱有限公司／長子縣利通供熱有限公司 (Zhangzixian Juneng Heat Supply Ltd.*/Zhangzixian Litong Heat Supply Ltd.*)	山西省長治市長子縣城區集中供熱項目 (A centralised city heat supply project in Changzi County, Changzhi City, Shanxi Province*)	Zhangzi County, Changzhi City, Shanxi Province, the PRC*	長子縣人民政府 (Zhangzi County People's Government*)	BOT on clean heat supply	2015 to Nov.2022

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the property, plant and equipment of the Facilities and the related land, which are generally registered under the names of the relevant companies in the Group during the service concession periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective service concession periods.

17. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

As further explained in the accounting policy for "Service concession arrangements" set out in note 2.4 to the financial statements, the rights to operate the Facilities are stated at cost less accumulated amortisation and any accumulated impairment losses, and are accounted for as intangible assets (i.e. operating concessions). The following is the summarised information of the operating concessions with respect to the Group's service concession arrangements:

	Notes	2022 HK$'000	2021 HK$'000
At 1 January:			
Cost		**2,656,282**	2,497,962
Accumulated amortisation		**(518,271)**	(209,609)
Net carrying amount		**2,138,011**	2,288,353
At 1 January		**2,138,011**	2,288,353
(Consideration adjustments)/additions		**(50,663)**	76,450
Impairment losses, net	6	**59,884**	(168,956)
Amortisation provided during the year	6	**(91,274)**	(127,748)
Transfer to held for sale		**(280,490)**	–
Exchange realignment		**(153,365)**	69,912
At 31 December		**1,622,103**	2,138,011
At 31 December:			
Cost		**2,011,550**	2,656,282
Accumulated amortisation		**(389,447)**	(518,271)
Net carrying amount		**(1,622,103)**	2,138,011

At 31 December 2022, concession rights of the Group included in service concession arrangements with an aggregate carrying amount of HK$1,052,812,000 (2021: HK$1,118,580,000) were pledged to secure certain lease liabilities of the Group (note 31(iv)).

18. OPERATING RIGHTS

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid for the sale of electricity, operating licences granted by governmental authorities in Mainland China and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and governmental authorities in Mainland China for the operating licences granted by relevant governmental authorities. The operating rights were acquired through business combinations and initially measured at fair value.

	Notes	**2022 HK$'000**	2021 HK$'000
At 1 January:			
Cost		**1,242,835**	1,150,084
Accumulated amortisation		**(222,087)**	(160,679)
Net carrying amount		**1,020,748**	989,405
At 1 January		**1,020,748**	989,405
Acquisition of subsidiaries	39	**–**	56,428
Amortisation provided during the year	6	**(34,494)**	(56,973)
Transfer to held for sale		**(86,572)**	–
Impairment loss	6	**(19,881)**	–
Exchange realignment		**(13,918)**	31,888
At 31 December		**865,883**	1,020,748
At 31 December:			
Cost		**1,087,157**	1,242,835
Accumulated amortisation		**(221,274)**	(222,087)
Net carrying amount		**865,883**	1,020,748

19. OTHER INTANGIBLE ASSETS

	Notes	2022 HK$'000	2021 HK$'000
At 1 January:			
Cost		**61,219**	55,850
Accumulated amortisation		**(41,218)**	(36,189)
Net carrying amount		**20,001**	19,661
At 1 January		**20,001**	19,661
Additions		**2,947**	3,507
Amortisation provided during the year	6	**(3,137)**	(3,796)
Disposal of a subsidiary	40	**(2,296)**	–
Exchange realignment		**(1,461)**	629
At 31 December		**16,054**	20,001
At 31 December:			
Cost		**57,161**	61,219
Accumulated amortisation		**(41,107)**	(41,218)
Net carrying amount		**16,054**	20,001

20. INVESTMENTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Share of net assets	**442,801**	473,450
Goodwill on acquisition	**21,892**	23,709
	464,693	497,159

The Group's amounts due from the joint ventures are disclosed in note 26 to the financial statements.

In the opinion of the directors, the joint ventures were not individually material to the Group in the current and prior years. Hence, no disclosure of their separate financial information has been made.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 HK$'000	2021 HK$'000
Share of the joint ventures' profit for the year	**4,544**	17,815
Share of the joint ventures' total comprehensive income	**(33,642)**	32,854
Aggregate carrying amount of the Group's investments in joint ventures	**464,693**	497,159

Since 2017, the Group entered into certain partnership agreements with certain senior limited partners in relation to the establishment and management of some limited partnerships, pursuant to which these senior limited partners are entitled to preferential returns based on its actual capital contribution.

In connection with these limited partnerships, the Group and certain general partners or junior limited partners made undertakings to the senior limited partners on a joint and several basis, to procure (i) each of their outstanding capital contributions to the related limited partnerships as at the end of each of the limited partnerships; and (ii) the distributions or preferential returns to be payable by the limited partnerships to certain partners.

The Group has engaged an independent professionally qualified valuer to measure the fair value of these guarantees provided by the Group. In the opinion of the Directors, the fair value of these guarantees is not material that no separate disclosure is made.

21. INVESTMENTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Share of net assets	**638,549**	574,056
Goodwill on acquisition	**695,533**	556,907
	1,334,082	1,130,963
Impairment	**(1,420)**	(1,538)
	1,332,662	1,129,425

The Group's amounts due from the associates are disclosed in note 26 to the financial statements.

In the opinion of the directors, the associates were not individually material to the Group in the current and prior years. Hence, no disclosure of their separate financial information has been made.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 HK$'000	2021 HK$'000
Share of the associates' profit for the year	**25,759**	36,909
Share of the associates' total comprehensive income	**(62,060)**	70,147
Aggregate carrying amount of the Group's investments in associates	**1,332,662**	1,129,425
Market value of the Group's listed investment	**1,464,718**	1,111,435

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Unlisted investments, at fair value	**411,916**	581,123

The above unlisted investments represent the investments in asset management funds and private equity funds. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. OTHER NON-CURRENT ASSETS, OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

	Notes	2022 HK$'000	2021 HK$'000
Other non-current assets	(a)	**1,385,240**	1,332,003
Other non-current liabilities			
Other non-current liabilities	(a)	**1,542,398**	1,547,605
Financial liabilities of options granted to non-controlling interests	(b)	**–**	2,805,013
Guarantees given to third parties and related parties		**13,058**	7,061
		1,555,456	4,359,679
Portion classified as other current liabilities		**–**	(1,577,945)
		1,555,456	2,781,734

Notes:

(a) Other non-current assets/liabilities represent the cost of equipment/contracted selling price of equipment delivered to and construction and related services provided to third party project companies, respectively, under certain contracts for wind power plant development, and there are possibilities that those third party project companies would be acquired by the Group subsequently.

(b) Balance as at 31 December 2021 represented financial liabilities at amortised cost for options granted to certain non-controlling interests of a subsidiary under which the non-controlling interests shall have the right to request certain of the Group's subsidiaries to repurchase the equity interests in a subsidiary of the Group held by the non-controlling interests at any time after the occurrence of certain events.

The financial liabilities were fully repaid during the year ended 31 December 2022.

24. CONTRACT ASSETS

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

Notes:

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

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

(c) The movements in the loss allowance for impairment of contract assets are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**57,602**	36,928
Impairment losses, net (note 6)	**(38,374)**	21,034
Exchange realignment	**(3,306)**	(360)
At end of year	**15,922**	57,602

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses on the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the groupings of various customer segments with similar loss patterns (i.e., customer type).

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2022	2021
Expected credit loss rate	**1.44%**	4.08%
Gross carrying amount (HK$'000)	**1,102,668**	1,411,555
Expected credit losses (HK$'000)	**15,922**	57,602

25. TRADE AND BILLS RECEIVABLES

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

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

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

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

(b) Certain subsidiaries engaging in the operation of clean energy businesses have pledged trade receivables to secure certain bank loans and other borrowings and other borrowings (note 31(b)(ii)).

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

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

25. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) (Continued)

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

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables and tariff adjustment receivables using a provision matrix:

As at 31 December 2022:

		Past due.				
	Current	**Less than 6 months**	**7 to 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.19%**	**1.94%**	**2.08%**	**2.18%**	**17.26%**	**1.43%**
Gross carrying amount (HK$'000)	**7,195,486**	**187,496**	**167,668**	**162,644**	**544,134**	**8,257,428**
Expected credit losses (HK$'000)	**13,827**	**3,636**	**3,481**	**3,553**	**93,910**	**118,407**

As at 31 December 2021:

		Past due.				
	Current	Less than 6 months	7 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.20%	1.07%	1.37%	1.66%	19.32%	0.74%
Gross carrying amount (HK$'000)	8,908,861	190,207	140,005	439,685	229,156	9,907,914
Expected credit losses (HK$'000)	17,431	2,038	1,921	7,312	44,283	72,985

For bills receivable, impairment analysis is performed at each reporting date by considering the probability of default of comparable companies. The measurement of impairment is a function of the probability of default, loss given default and the exposure at default. A loss allowance of HK$219,000 (2021: HK$790,000) was provided for bills receivable as at 31 December 2022.

25. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(d) The movements in the Group's loss allowance for expected credit losses on trade and bills receivables during the year are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**73,775**	35,752
Impairment losses (note 6)	**52,006**	39,951
Exchange realignment	**(7,155)**	(1,928)
At end of year	**118,626**	73,775

(e) At 31 December 2022, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB491,000 (equivalent to HK$556,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2022 HK$'000	2021 HK$'000
Prepayments	(a)	**657,553**	746,846
Deposits and other receivables	(b)	**4,675,746**	4,969,417
Due from joint ventures	(c)	**293,643**	151,870
Due from associates	(d)	**361,359**	429,828
		5,988,301	6,297,961
Less: Impairment	(e)	**(622,683)**	(662,947)
		5,365,618	5,635,014
Portion classified as current assets		**(2,032,773)**	(2,343,586)
Non-current portion		**3,332,845**	3,291,428

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The Group's prepayments mainly included prepayments for the purchase of equipment for photovoltaic and wind power plant projects and clean heat supply facilities.

(b) The Group's deposits and other receivables as at 31 December 2022 included, inter alia, the following:

(i) Investment/bidding deposits of HK$232,739,000 (2021: HK$289,455,000) in aggregate paid to independent third parties in the PRC for potential acquisition of clean energy projects.

(ii) Advances of HK$392,449,000 (2021: HK$407,100,000) provided to independent third parties, The advances were generally secured, bore interest at rates ranging from 8% to 10% (2021: 8% to 10%) per annum; and

(iii) Refundable security deposits under finance lease arrangements of HK$312,346,000 (2021: HK$423,192,000).

(c) Except for (1) amounts due from a joint venture of nil (2021: HK$10,419,000) which are unsecured, interest-bearing at 10% per annum and are repayable within three years; and (2) amounts due from joint ventures of HK$282,033,000 (2021: HK$141,451,000) which are unsecured, interest-bearing at rates ranging from 8% to 10% (2021: 4.8% to 10%) per annum and are repayable within one year, the remaining amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment. There was no recent history of default for amounts due from joint ventures. As at 31 December 2021 and 2022, the loss allowance was assessed to be minimal.

(d) Except for amounts due from associates of HK$19,683,000 (2021: HK$34,294,000) which are unsecured, interest-bearing at rates ranging from 6.525% to 8% (2021: 6.525% to 7.425%) per annum and are repayable within one year, the remaining amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. There was no recent history of default for amounts due from associates. As at 31 December 2021 and 2022, the loss allowance was assessed to be minimal.

(e) The movements in the Group's loss allowance for expected credit losses on other receivables during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
At beginning of year	**662,947**	87,857
Impairment losses (note 6)	**10,848**	561,401
Exchange realignment	**(51,112)**	13,689
At end of year	**622,683**	662,947

Deposits and other receivables mainly represent deposits with suppliers, investment/bidding deposits and loans and advances to potential acquisitions customers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2022, the probability of default applied ranged from 0.53% to 8.30% (2021: 0.46% to 8.08%) and the estimated loss ratio arising from default was estimated to be 61.70% (2021: 61.70%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

27. OTHER TAX RECOVERABLES

Other tax recoverables mainly represent the net value-added tax paid by the Group for the construction of photovoltaic and wind power plants and clean heat supply facilities which will be utilised and offset against the value-added tax payable for the sale of electricity and provision of clean heat supply services after the commencement of operation of the plants and facilities.

28. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND PLEDGED DEPOSITS

	2022	2021
	HK$'000	HK$'000
Restricted cash and pledged bank deposits	**247,454**	227,200
Cash and bank balances	**3,637,264**	1,140,832
Total cash and bank balances	**3,884,718**	1,368,032
Less: Restricted cash and pledged bank deposits (note)	**(247,454)**	(227,200)
Cash and cash equivalents	**3,637,264**	1,140,832

Note:

The Group's restricted cash and bank balances as at 31 December 2022 included cash restricted due to litigations of RMB53,324,000 (equivalent to HK$60,355,000) (2021: RMB106,221,000, equivalent to HK$130,205,000). The Group's pledged bank deposits as at 31 December 2022 included (i) pledged bank deposits of USD10,600,000 (equivalent to HK$82,781,000) (2021: Nil) to secure the borrowings of the Group (note 31(b)); (ii) the bank deposits of RMB42,643,000 (equivalent to HK$48,266,000) (2021: RMB79,128,000 (equivalent to HK$96,995,000)) which were pledged to secure certain banking facilities in the form of bills payable (note 29); and (iii) other pledged bank deposits of RMB49,522,000 (equivalent to HK$56,052,000) (2021:Nil).

At the end of the reporting period, the carrying amounts of the Group's total cash and bank balances are denominated in the following currencies:

	2022	2021
	HK$'000	HK$'000
HK$	**60,577**	54,982
RMB	**3,528,637**	1,222,322
Other currencies	**295,504**	90,728
	3,884,718	1,368,032

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

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

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

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

Included in the trade and bills payables as at 31 December 2022 were trade payables of nil (2021: HK$1,471,000) due to a joint venture which are generally repayable within 30 to 90 days, which represents credit terms similar to those offered by the associate to their major customers.

The Group's bills payable amounting to RMB29,500,000 (equivalent to HK$33,390,000) (2021: RMB53,319,000, equivalent to HK$65,358,000) were secured by the pledged bank deposits as at 31 December 2022 (note 28).

30. OTHER PAYABLES AND ACCRUALS

	Notes	2022 HK$'000	2021 HK$'000
Deposits received		**35,391**	44,942
Other payables	(a)	**1,385,091**	1,576,771
Accruals		**28,580**	74,264
Contract liabilities	(b)	**439,061**	667,844
		1,888,123	2,363,821

Notes:

(a) Other payables are non-interest-bearing and are normally settled within three months. The Group's other payables as at 31 December 2022 included, inter alia, the following:

(i) an aggregate amount of HK$195,588,000 (2021: HK$288,704,000) of outstanding considerations payable and debt assumed by the Group in respect of the acquisitions of subsidiaries, which are due to certain independent third parties during the year. The debts assumed balances mainly represented construction costs payable by the acquired companies and, according to the debt settlement agreements entered into between the Group and counterparties, the debts originally owed by the acquired subsidiaries were assumed by the Group upon acquisitions. The amounts are repayable according to the time schedules as stipulated in the debt settlement agreements and the last repayments of each assumed liability are usually repayable within 1 year of the acquisition;

(ii) an aggregate amount of HK$659,182,000 (2021: HK$864,038,000) due to certain contractors arising from the construction and purchase of equipment of photovoltaic and wind power plants, and clean heat supply facilities; and

(iii) an aggregate amount of HK$65,791,000 (2021: HK$33,236,000) represents other tax payables, which are mainly VAT related tax payables.

(b) Details of contract liabilities are as follows:

	31 December 2022 HK$'000	31 December 2021 HK$'000
Contract liabilities	**439,061**	667,844

Contract liabilities include short-term advances received to deliver clean heat supply services, construction and management services.

31. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2022			2021		
	Effective Interest rate (%)	**Maturity**	**HK$'000**	Effective Interest rate (%)	Maturity	HK$'000
Current						
Lease liabilities	**4.97-8.23**	**2023**	**532,363**	4.65-9.04	2022	1,009,155
Bank loans – unsecured	**2.91-5.3**	**2023**	**2,934,036**	1.56-5.30	2022	6,628,107
Bank loans – secured	**3.5-5.0**	**2023**	**1,463,397**	4.00-5.23	2022	423,292
Other loans – secured	**4.69-8.01**	**2023**	**1,188,101**	2.49-9.22	2022	1,127,103
Other loans – unsecured	**–**	**N/A**	**–**	8.00	2022	863,175
			6,117,897			10,050,832
Non-current						
Lease liabilities	**4.97-8.23**	**2024-2036**	**2,917,441**	4.65-9.04	2023-2052	3,531,063
Bank loans – unsecured	**3.31-5.18**	**2024-2027**	**4,833,085**	1.56-5.30	2023-2031	3,945,528
Bank loans – secured	**2.6-5.23**	**2024-2042**	**10,125,667**	4.00-5.23	2023-2037	4,465,034
Other loans – secured	**4.69-8.01**	**2024-2034**	**6,578,631**	2.49-9.22	2023-2031	8,988,640
			24,454,824			20,930,265
			30,572,721			30,981,097

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,397,433**	7,051,399
In the second year	**3,562,719**	1,771,425
In the third to fifth years, inclusive	**5,850,436**	4,589,126
Beyond five years	**5,545,597**	2,050,011
	19,356,185	15,461,961
Other borrowings repayable:		
Within one year or on demand	**1,720,464**	2,999,433
In the second year	**1,780,448**	1,745,933
In the third to fifth years, inclusive	**4,615,446**	5,952,324
Beyond five years	**3,100,178**	4,821,446
	11,216,536	15,519,136
Total bank loans and other borrowings	**30,572,721**	30,981,097

31. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**4,643,956**	9,036,027
RMB	**23,604,798**	20,707,831
US$	**2,323,967**	1,237,239
	30,572,721	30,981,097

(b) Certain of the Group's bank loans and other borrowings are secured by:

(i) guarantees given by the Company and/or its subsidiaries;

(ii) pledges over trade receivables and contract assets of certain subsidiaries with an aggregate amount of HK$8,583,198,000 (2021: HK$6,961,563,000) as at 31 December 2022 (note 25(b));

(iii) pledges over the Group's property, plant and equipment with an aggregate carrying amount of HK$11,744,094,000 (2021: HK$12,702,970,000) as at 31 December 2022(note 14);

(iv) pledges over the Group's concession rights of the Group's service concession arrangements with an aggregate carrying amount of HK$1,052,812,000 (2021: HK$1,118,580,000) as at 31 December 2022 (note 17);

(v) pledges over the Group's bank deposits with an aggregate carrying amount of HK$82,781,000 (2021:Nil) as at 31 December 2022 (note 28); and

(vi) pledges over the Group's equity interests in certain subsidiaries.

(c) The Group's lease liabilities, secured and unsecured bank loans and secured other loans as at 31 December 2022 bear interest at effective interest rates ranging from 4.97% to 8.23% (2021: from 4.65% to 9.04%) per annum, ranging from 2.60% to 5.23% (2021: from 1.56% to 5.30%) per annum and ranging from 4.69% to 8.01% (2021: from 2.49% to 9.22%) per annum, respectively.

32. CORPORATE BONDS

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

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

(a) On 6 December 2019, the Company issued a corporate bond with a principal amount of RMB500 million and an annual interest rate of 5.99%. As at 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.

33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary differences related to service concession arrangements HK$'000	Right-of-use assets and lease liabilities HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2022	(210,045)	(66,189)	(111,396)	(14,816)	(402,446)
Deferred tax credited/(charged) to profit or loss during the year	35,309	23,588	(6,409)	8,565	61,053
Exchange realignment	15,076	4,390	8,721	888	29,075
Gross deferred tax liabilities at 31 December 2022	(159,660)	(38,211)	(109,084)	(5,363)	(312,318)

Deferred tax assets

	Right-of-use assets and lease liabilities HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2022	115,494	245,628	361,122
Deferred tax credited to profit or loss during the year	37,353	103,415	140,768
Exchange realignment	(9,927)	(18,975)	(28,902)
Gross deferred tax assets at 31 December 2022	142,920	330,068	472,988

33. DEFERRED TAX (CONTINUED)

The components of deferred tax assets and liabilities and their movements in 2021 are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary differences related to service concession arrangements HK$'000	Right-of-use assets and lease liabilities HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2021	(207,548)	(75,474)	(99,632)	(40,436)	(423,090)
Acquisition of subsidiaries (note 39)	(8,040)	–	–	–	(8,040)
Deferred tax credited/(charged) to profit or loss during the year	12,161	11,516	(8,405)	26,460	41,732
Exchange realignment	(6,618)	(2,231)	(3,359)	(840)	(13,048)
Gross deferred tax liabilities at 31 December 2021	(210,045)	(66,189)	(111,396)	(14,816)	(402,446)

Deferred tax assets

	Right-of-use assets and lease liabilities HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2021	103,919	92,331	196,250
Deferred tax credited to profit or loss during the year	8,083	147,731	155,814
Exchange realignment	3,492	5,566	9,058
Gross deferred tax assets at 31 December 2021	115,494	245,628	361,122

33. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**397,753**	285,508
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(237,083)**	(326,832)
Net deferred tax liabilities in respect of continuing operations	**160,670**	(41,324)

Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$5,500,155,000 (2021: HK$5,454,917,000) as at 31 December 2022.

The Group also has tax losses arising in Mainland China of HK$1,101,287,000 (2021: HK$1,077,691,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. In the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

34. SHARE CAPITAL

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

Note:

On 4 March 2022, a subscription agreement was entered into between the Company and Profit Plan Global Investment Limited (an indirect wholly-owned subsidiary of SDHG) (the "Subscriber"). Pursuant to which, the Company had conditionally agreed to allot and issue, and the Subscriber had conditionally agreed to subscribe for 48,804,039,247 subscription shares at the subscription price of HK$0.096 per share for the total cash consideration, before expenses, of HK$4,685 million (the "Subscription"). The Subscription was completed on 19 May 2022.

35. SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentives to employees (full-time or part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners, service providers or substantial shareholders (the "Eligible Participants") of the Group and promoting the success of the business of the Group, which will remain in force for a period of ten years commencing on the adoption date and shall expire on 9 June 2023 (close of business on the business day immediately preceding the tenth anniversary thereof), subject to early termination provisions contained in the Share Option Scheme. The Board may grant options to the Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Further, the aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days inclusive of the day on which an offer was made, upon payment of HK$1.00 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than 10 years from the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant of the options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

On 18 September 2017, a total of 1,490,000,000 share options were granted to certain directors of the Group in respect of their services to the Group (the "2017 Options"). The 2017 Options had an exercise price of HK$0.199 per share and an exercise period from 18 September 2020 to 17 September 2027. The closing price of the Company's share of the 2017 Options at the date of grant was HK$0.199 per share.

On 15 September 2020 (the "Modification Date"), 630,000,000 share options were cancelled, and a total of 1,060,000,000 share options were granted to the eligible participants (the "2020 Options"), part of them are served as replacement share options to the cancelled share options of the 2017 Grant. After the modification, the 2020 Options had an exercise price of HK$0.08 per share and an exercise period from 15 September 2023 to 14 September 2030. The closing price of the Company's share of the 2020 Options at the date of grant was HK$0.039 per share.

35. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Share Option Scheme during the year:

	2022 Weighted average exercise price HK$'000	**2022** Number of options per share	2021 Weighted average exercise price HK$'000	2021 Number of options per share
At 1 January	**0.080**	**1,010,000**	0.080	1,030,000
Granted during the year	**–**	**–**	–	–
Cancelled during the year	**–**	**–**	–	–
Lapsed/forfeited during the year	**0.080**	**(17,000)**	0.080	(20,000)
At 31 December	**0.080**	**993,000**	0.080	1,010,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2022

Number of options	**Exercise price** HK$ per share	**Exercise periods**
198,600,000	0.080	15 September 2023 to 14 September 2030
198,600,000	0.080	15 September 2024 to 14 September 2030
198,600,000	0.080	15 September 2025 to 14 September 2030
198,600,000	0.080	15 September 2026 to 14 September 2030
198,600,000	0.080	15 September 2027 to 14 September 2030
993,000,000		

35. SHARE OPTION SCHEME (CONTINUED)

2021

Number of options	Exercise price HK$ per share	Exercise periods
202,000,000	0.080	15 September 2023 to 14 September 2030
202,000,000	0.080	15 September 2024 to 14 September 2030
202,000,000	0.080	15 September 2025 to 14 September 2030
202,000,000	0.080	15 September 2026 to 14 September 2030
202,000,000	0.080	15 September 2027 to 14 September 2030
1,010,000,000		

The fair values of the share options granted during the year ended 31 December 2020 (excluding the 430,000,000 share options of the 2020 Options which are treated as the replacement of the cancelled 630,000,000 share options of the 2017 Options) were approximately HK$6,200,000. Meanwhile, the incremental fair value arising from the aforementioned modification of 430,000,000 share options of the 2020 Options was approximately HK$1,392,000. The Group recognised a share option expense of HK$2,031,000 during the year (2021: HK$7,604,000).

The fair value of equity-settled share options granted during the year ended 31 December 2022 was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020 Options	2017 Options
Date of grant/Modification Date	**15 September 2020**	15 September 2020
Dividend yield (%)	**0.0000%**	0.0000%
Expected volatility (%)	**55.27%**	55.27%
Risk-free interest rate (%)	**0.54%**	0.47%
Expected life of options (year)	**10**	7
Forfeiture rate (%)	**13%**	13%

The expected life of the options is the time to maturity of the options granted under the Share Option Scheme. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 993,000,000 share options (2021: 1,010,000,000) outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 993,000,000 (2021: 1,010,000,000) additional ordinary shares of the Company and additional share capital of HK$993,000 (2021: HK$1,010,000) (before issue expenses) and additional share premium of approximately HK$78,447,000 (2021: HK$79,790,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options forfeited due to resignation.

35. SHARE OPTION SCHEME (CONTINUED)

At the date of approval of these financial statements, the Company had 993,000,000 share options outstanding under the Share Option Scheme which represent 0.88% of the ordinary shares in issue of the Company as at the date of approval of these financial statements.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 87 to the financial statements.

Share option reserve

It comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

Special reserves

The Group's special reserves mainly represent the difference between the carrying amount of the share of net assets acquired and the consideration in respect of the acquisition and disposal of the non-controlling interests in subsidiaries during the year ended 31 December 2022 and in prior years.

Statutory surplus reserve

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their profit after tax to the reserve funds, which are non-distributable and restricted as to use.

37. PERPETUAL CAPITAL INSTRUMENT

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

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

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

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

38. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

During the year ended 31 December 2022, the Group has no subsidiaries that has material non-controlling interests (2021: Nil)

39. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at the date of acquisition were as follows:

	Notes	**2022 HK$'000**	2021 HK$'000
Property, plant and equipment	14	**–**	639,264
Operating rights	18	**–**	56,428
Investments in associates		**255,194**	–
Inventories		**–**	76
Trade and bills receivables		**–**	94,207
Prepayments, deposits and other receivables		**–**	565,467
Other tax recoverables		**–**	28,458
Cash and cash equivalents		**6**	9,598
Trade and bills payables		**–**	(27,155)
Other payables and accruals		**(1,340)**	(548,033)
Interest-bearing bank loans and other borrowings		**–**	(442,652)
Deferred tax liabilities	33	**–**	(8,040)
Total identifiable net assets at fair value		**253,860**	367,618
Non-controlling interests		**–**	(1,687)
		253,860	365,931
Goodwill	16	**–**	41,038
Gains on bargain purchase	5, 6	**(2,243)**	(13,922)
		251,617	393,047
Satisfied by:			
Cash consideration		**251,617**	138,592
Other receivable		**–**	254,455
		251,617	393,047

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to nil (2021: HK$94,207,000) and nil (2021: HK$500,378,000), respectively. The gross contractual amounts of trade receivables and other receivables were nil (2021: HK$94,207,000) and nil (2021: HK$500,378,000), respectively.

The Group incurred transaction costs of nil for these acquisitions.

39. BUSINESS COMBINATIONS (CONTINUED)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2022 **HK$'000**	2021 HK$'000
Cash consideration	**(251,617)**	(138,592)
Cash and cash equivalents acquired	**6**	9,598
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(251,611)**	(128,994)

Since the acquisition, these acquired entities contributed nil (2021: HK$83,189,000) to the Group's revenue and HK$2,000 to the consolidated loss (2021: HK$12,732,000 to the consolidated profit) for the year ended 31 December 2022.

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$225,776,000 (2021: loss for HK$279,345,000) and the Group's revenue would have been HK$5,296,197,000 (2021: HK$6,048,788,000).

Notes:

During the year ended 31 December 2022, the Group completed the acquisition of the 100% equity interest in Tibet Yuze Investment Management Co., Ltd. – Yuze Red Bull No.1 Private Equity Investment Fund (西藏禹澤投資管理有限公司-禹澤紅牛壹號私募股權投資基金) from an independent third party at a cash consideration of RMB215,888,000, which is principally engaged in investment holding, and recorded a gain on bargain purchase of HK$2,243,000.

40. DISPOSAL OF SUBSIDIARIES

	Notes	2022 HK$'000	2021 HK$'000
Property, plant and equipment	14	**15,177**	–
Goodwill	16	**2,732**	–
Other intangible assets	19	**2,296**	–
Inventories		**242**	–
Trade and bills receivables		**103,138**	–
Prepayments, deposits and other receivables		**56,952**	–
Other tax recoverables		**675**	–
Restricted cash and pledged deposits		**1,779**	–
Cash and cash equivalents		**6,414**	–
Trade payables		**(88,518)**	(9)
Other payables and accruals		**(70,617)**	(572)
Income tax payables		**(8,451)**	–
Non-controlling interests		**(8,162)**	–
		13,657	(581)
Exchange fluctuation reserve realised		**–**	–
Gains on disposal of interests in subsidiaries	5,6	**682**	782
		14,339	201
Satisfied by:			
Cash consideration		**–**	201
Other receivables		**14,339**	–
		14,339	201

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2022 HK$'000	2021 HK$'000
Cash consideration	**–**	201
Cash and cash equivalents disposed of	**(6,414)**	–
Consideration receivables as at the year end	**–**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(6,414)**	201

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$157,288,000 and HK$157,288,000, respectively, in respect of lease arrangements for properties and land leases (2021: HK$147,277,000 and HK$147,277,000).

(b) Changes in liabilities arising from financing activities

	Corporate bonds HK$'000	Interest-bearing bank and other borrowings HK$'000
At 1 January 2021	1,696,323	29,010,769
Changes from financing cash flows	(653,713)	(239,322)
Interest expense	99,563	1,237,306
Refundable security deposits under finance leases	–	106,625
Increase arising from acquisition of subsidiaries (note 39)	–	442,652
Foreign exchange movement	46,212	423,067
At 31 December 2021 and 1 January 2022	1,188,385	30,981,097
Changes from financing cash flows	(611,359)	(633,638)
Interest expense	24,463	1,570,067
Refundable security deposits under finance leases	–	110,846
Foreign exchange movement	(74,123)	(1,455,651)
At 31 December 2022	527,366	30,572,721

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 HK$'000	2021 HK$'000
Within operating activities	**20,023**	19,075
Within financing activities	**2,100,605**	1,370,221
	2,120,628	1,389,296

42. CONTINGENT LIABILITIES

At 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

43. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
Construction, material and equipment costs for development of clean energy projects	**354,361**	998,669
Capital contributions to joint ventures	**320,883**	347,512
	675,244	1,346,181

44. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2022:

Name of related group/company	Nature of transactions	Notes	2022 HK$'000	2021 HK$'000
BEWG[#1] and its subsidiaries	Sales of electricity	(i)	**18,396**	17,129
BEWG and its subsidiaries	Licence fee	(ii)	**953**	1,498
BEWG and its subsidiaries	Rental expenses	(ii)	**12,278**	10,847
BEWG and its subsidiaries	Interest expenses	(iii)	**16,874**	5,033
Joint ventures:	Interest income	(iv)	**19,739**	6,053
Joint ventures:	Entrusted operations		**1,227**	–
Associates:	Interest income	(v)	**46**	–
Associates:	Entrusted operations		**6,633**	–
Great First[#2]	Acquisition of equity interest	(vi)	**–**	40,023
China Railway Long Construction[#3]	Cost of construction and related services	(vii)	**49,805**	–

[#1] Beijing Enterprises Water Group Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited, is a substantial shareholder of the Company.

[#2] Great First (Hong Kong) Limited is wholly owned by Mr. Hu, a former executive director of the Company.

[#3] China Railway Long Construction Group Limited (中鐵隆工程集團有限公司) is a subsidiary of Shandong Hi-Speed Group.

44. RELATED PARTY DISCLOSURES (CONTINUED)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2022: (Continued)

Notes:

(i) The sales to a related group were made according to the published prices and conditions offered to customers of the Group. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The licence fee and the rental expenses were charged on a mutually agreed basis. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(iii) The interest expenses were generated from the interest-bearing loan with Beijing Enterprises Water (China) Investment Co., Ltd, with an interest rate at 8% per annum.

(iv) The interest income was generated from the interest-bearing loan to joint ventures, with interest rates ranging from 8% to 10.00% per annum.

(v) The interest income was generated from the interest-bearing loan to associates, with interest rates ranging from 6.525% to 8% per annum.

(vi) On 14 May 2021, an indirect non-wholly-owned subsidiary of the Group (the "Purchaser") and Great First entered into the Great First Target Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and Great First agreed to dispose of, an approximately 8.33% equity interest in the Tibet Shandong Hi-Speed Wind.

(vii) On 20 October 2022, an indirect non-wholly owned subsidiary of the Group, entered into a construction contract with Zhonggong Wuda Design Group Limited (Zhonggong Wuda) and China Railway Long Construction, subsidiaries of Shangdong Hi-Speed Group, pursuant to which Zhonggong Wuda and China Railway Long Construction agreed to act as the contractors at an aggregate contracting fee of RMB149,171,000 (inclusive of all taxes).

(b) In the opinion of the Directors, the Directors represent the key management personnel of the Group. Details of Directors' remuneration are included in note 8 to the financial statements.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	411,916	411,916
Trade and bills receivables	8,176,926	–	8,176,926
Financial assets included in prepayments, deposits and other receivables	4,708,065	–	4,708,065
Restricted cash and pledged deposits	247,454	–	247,454
Cash and cash equivalents	3,637,264	–	3,637,264
Other non-current assets	1,385,240	–	1,385,240
	18,154,949	411,916	18,566,865

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,941,813
Financial liabilities included in other payables and accruals	1,391,007
Interest-bearing bank and other borrowings	30,572,721
Corporate bonds	527,366
Other current liabilities and other non-current liabilities	1,555,456
	35,988,363

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2021

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	581,123	581,123
Trade and bills receivables	10,006,793	–	10,006,793
Financial assets included in prepayments, deposits and other receivables	4,888,168	–	4,888,168
Restricted cash and pledged deposits	227,200	–	227,200
Cash and cash equivalents	1,140,832	–	1,140,832
Other non-current assets	1,332,003	–	1,332,003
	17,594,996	581,123	18,176,119

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	3,296,057
Financial liabilities included in other payables and accruals	1,519,255
Interest-bearing bank and other borrowings	30,981,097
Corporate bonds	1,188,385
Other non-current liabilities	4,359,679
	41,344,473

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, largely due to the short term maturities of the instruments or because they bear floating interest rates if they have long term maturities, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss	**411,916**	581,123	**411,916**	581,123
Loan to a joint venture	**–**	10,419	**–**	8,466
Financial assets included in prepayments, other receivables and other assets – non-current	**3,104,155**	2,928,635	**2,890,958**	2,449,256
Total	**3,516,071**	3,520,177	**3,302,874**	3,038,845

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Other non-current liabilities	**13,058**	7,061	**13,058**	7,061
Interest-bearing bank borrowings with fixed interest rates – non-current	**587,134**	474,810	**598,402**	480,909
Total	**600,192**	481,871	**611,460**	487,970

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, restricted cash and pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, corporate bonds and interest-bearing bank loans and other borrowings with short term maturities or bearing floating interest rates approximate to their carrying amounts largely due to the short term maturities of these instruments or because they bear floating interest rates if they are have long term maturities.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of deposits and other receivables, interest-bearing bank loans and other borrowings and corporate bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

The fair values of unlisted equity investments at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**–**	**–**	**411,916**	**411,916**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	–	–	581,123	581,123

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	Total HK$'000
As at 1 January 2022	581,123
Total gains recognised in the statement of profit or loss included in other income	10,650
Purchases	320,280
Disposal	(462,306)
Exchange	(37,831)
As at 31 December 2022	411,916

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Other non-current liabilities	–	–	13,058	13,058

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets included in prepayments, other receivables and other assets – non-current	**–**	**–**	**2,890,958**	**2,890,958**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Loan to a joint venture	–	–	8,466	8,466
Financial assets included in prepayments, other receivables and other assets – non-current	–	–	2,449,256	2,449,256
	–	–	2,457,722	2,457,722

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, other payables, interest-bearing bank and other borrowings and corporate bonds. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings):

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
2022		
HK$	**100**	**(67,039)**
RMB	**100**	**(106,069)**
HK$	**(100)**	**67,039**
RMB	**(100)**	**106,069**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000
2021		
HK$	**100**	**(46,982)**
RMB	**100**	**(99,433)**
HK$	**(100)**	**46,982**
RMB	**(100)**	**99,433**

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant business operations in Mainland China, the consolidated statement of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have an impact on the operating results of the Group.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2022		
If HK$ weakens against RMB	**1.00**	**3,379**
If HK$ strengthens against RMB	**(1.00)**	**(3,379)**

	Increase/ (decrease) in foreign exchange rate %	(Increase)/ decrease in loss before tax HK$'000
2021		
If HK$ weakens against RMB	1.00	(8,535)
If HK$ strengthens against RMB	(1.00)	8,535

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, contract assets, trade and bills receivables, and deposit and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of contract assets, trade and bills receivables, and deposits and other receivables as disclosed in notes 24, 25 and 26 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade and non-trade debtor at the end of the reporting period to ensure that adequate provision for impairment losses has been made for irrecoverable amounts.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Simplified approach** HK$'000	**Total** HK$'000
Trade receivables*	**–**	**–**	**–**	**8,257,428**	**8,257,428**
Bills receivable	**38,124**	**–**	**–**	**–**	**38,124**
Contract assets*	**–**	**–**	**–**	**1,102,668**	**1,102,668**
Financial assets included in prepayments, deposits and other receivables	**4,007,405**	**668,144**	**655,199**	**–**	**5,330,748**
Restricted cash and pledged deposits	**247,454**	**–**	**–**	**–**	**247,454**
Cash and cash equivalents	**3,637,264**	**–**	**–**	**–**	**3,637,264**
Guarantees given to third parties and related parties	**13,058**	**–**	**–**	**–**	**13,058**
Other non-current assets	**1,385,240**	**–**	**–**	**–**	**1,385,240**
	9,328,545	**668,144**	**655,199**	**9,360,096**	**20,011,984**

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	9,907,914	9,907,914
Bills receivable	172,654	–	–	–	172,654
Contract assets*	–	–	–	1,411,555	1,411,555
Financial assets included in prepayments, deposits and other receivables	4,053,123	693,084	804,908	–	5,551,115
Restricted cash and pledged deposits	227,200	–	–	–	227,200
Cash and cash equivalents	1,140,832	–	–	–	1,140,832
Guarantees given to third parties and related parties	7,061	–	–	–	7,061
Other non-current assets	1,332,003	–	–	–	1,332,003
	6,932,873	693,084	804,908	11,319,469	19,750,334

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 25 to the financial statements, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk as 6.2% and 17.7% of the Group's trade and bills receivables were due from the Group's largest customer and five largest customers, respectively.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through cash receipts from receivables, the issue of new shares and a perpetual capital instrument, and the raising of interest-bearing bank and other borrowings, corporate bonds and financial liabilities of options granted to non-controlling interests to cover expected cash demands, as well as the strict control over its daily operating expenses. Accordingly, the Group expects to have adequate sources of funding to finance the Group's operations and manage its liquidity position.

The maturity profile of the Group's financial liabilities (other than the financial guarantees given) as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	4-5 years HK$'000	Beyond 5 years HK$'000	Total HK$'000
2022								
Trade and bills payables	**–**	**1,941,813**	**–**	**–**	**–**	**–**	**–**	**1,941,813**
Other payables	**–**	**1,391,007**	**–**	**–**	**–**	**–**	**–**	**1,391,007**
Interest-bearing bank and other borrowings	**–**	**7,227,450**	**6,329,423**	**6,421,884**	**3,246,892**	**2,548,573**	**10,129,426**	**35,903,648**
Corporate bonds	**–**	**–**	**–**	**569,996**	**–**	**–**	**–**	**569,996**
	–	**10,560,270**	**6,329,423**	**6,991,880**	**3,246,892**	**2,508,573**	**10,129,426**	**39,806,464**
2021								
Trade and bills payables	–	3,296,057	–	–	–	–	–	3,296,057
Other payables	–	1,519,255	–	–	–	–	–	1,519,255
Interest-bearing bank loans and other	245,158	8,796,425	6,441,553	8,272,235	4,913,932	4,171,446	10,284,615	43,125,364
Corporate bonds	–	1,205,573	–	–	–	–	–	1,205,573
Financial liabilities of options granted to non-controlling interests	–	1,537,847	–	1,924,589	–	–	–	3,462,436
	245,158	16,355,157	6,441,553	10,196,824	4,913,932	4,171,446	10,284,615	52,608,685

The exposure of the Group's financial guarantee contracts given in relation are an associate disclosed in note 23 to the financial statements, which would be repayable on demand when the guarantee is called.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt.

The Group monitors capital using the net gearing ratio, which is calculated by dividing net debt by the sum of net debt and total equity. Net debt is calculated as total interest-bearing bank loans and other borrowings and corporate bonds (as shown in notes 31 and 32), less cash and cash equivalents and other lease liabilities. The net gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Interest-bearing bank and other borrowings	**30,572,721**	30,981,097
Corporate bonds	**527,366**	1,188,385
Less: Cash and cash equivalents	**(3,637,264)**	(1,140,832)
Other lease liabilities	**(1,022,369)**	(952,621)
Net debt	**26,440,454**	30,076,029
Total equity	**15,091,724**	12,082,054
Net debt and total equity	**41,532,178**	42,158,083
Gearing ratio	**64%**	71%

48. EVENT AFTER THE REPORTING PERIOD

On 20 December 2022, (i) China Power Construction Henan Electric Power Co., Ltd.* (中電建河南電力有限公司), Qingdian Green Energy Co., Ltd.* (清電綠色能源有限公司), Tianjin Fuyi Enterprise Management Consulting Co., Ltd.* (天津富驛企業管理諮詢有限公司) (the "Purchaser"), an indirect non-wholly owned subsidiary of the Company, entered into the equity transfer agreement (the "Equity Transfer Agreement-1") in relation to the sale and purchase of entire equity interest in Shangqiu Ningdian New Energy Co., Ltd.* (商丘寧電新能源有限公司) (the "Target Company-1") at the consideration of RMB143,568,000 (the "Acquisition-1"); (ii) Henan Qingdian New Energy Co., Ltd.* (河南清電新能源有限公司) and Purchaser, entered into the equity transfer agreement (the "Equity Transfer Agreement-2") in relation to the sale and purchase of entire equity interest in Lankao Gold Wind Power New Energy Co., Ltd.* (蘭考金風清電新能源有限公司) (the "Target Company-2") at the consideration of RMB55,929,000 (the "Acquisition-2"); (iii) Henan Qingdian New Energy Co., Ltd.* (河南清電新能源有限公司), and the Purchaser, entered into the equity transfer agreement (the "Equity Transfer Agreement-3", together with Equity Transfer Agreement-1 and Equity Transfer Agreement-2, the "Equity Transfer Agreements") in relation to the sale and purchase of entire equity interest in Shenqiu Yingdian New Energy Co., Ltd.* (沈丘潁電新能源有限公司) (the "Target Company-3", together with the Target Company-1 and Target Company-2, the "Target Companies") at the consideration of RMB43,226,000 (the "Acquisition-3", together with Acquisition-1 and Acquisition-2, the "Acquisitions"). Upon the completion of the Acquisitions in accordance with the terms and conditions of the Equity Transfer Agreements in January 2023, the Purchaser holds entire equity interests in each of the Target Companies and Target Companies become the indirect wholly-owned subsidiaries of the Company.

49. COMPARATIVE AMOUNTS

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

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022	2021
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**393**	431
Interests in subsidiaries	**5,142,782**	6,289,760
Total non-current assets	**5,143,175**	6,290,191
CURRENT ASSETS		
Financial assets at fair value through profit or loss	**100,711**	–
Prepayments, deposits and other receivables	**11,804,757**	9,806,607
Cash and cash equivalents	**167,569**	154,108
Total current assets	**12,073,037**	9,960,715
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,774,690**	6,058,906
Corporate bond	**563**	1,188,385
Other payables and accruals	**1,189,931**	54,905
Total current liabilities	**2,965,184**	7,302,196
NET CURRENT ASSETS	**9,107,853**	2,658,519
TOTAL ASSETS LESS CURRENT LIABILITIES	**14,251,028**	8,948,710
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**5,193,233**	4,214,360
Net assets	**9,057,795**	4,734,350
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**112,329**	63,525
Reserves (Note)	**8,945,466**	4,670,825
Total equity	**9,057,795**	4,734,350

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Special reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	5,925,295	32,330	2,799	(810,815)	5,149,609
Loss and total comprehensive loss for the year	–	–	–	(401,197)	(401,197)
Deemed perpetual bonds	–	–	(85,191)	–	(85,191)
Equity-settled share option arrangements (note 35)	–	7,604	–	–	7,604
At 31 December 2021 and 1 January 2022	**5,925,295**	**39,934**	**(82,392)**	**(1,212,012)**	**4,670,825**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(361,250)**	**(361,250)**
Issue of shares	**4,636,384**	**–**	**–**	**–**	**4,636,384**
Share issue expenses	**(2,524)**	**–**	**–**	**–**	**(2,524)**
Equity-settled share option arrangements (note 35)	**–**	**2,031**	**–**	**–**	**2,031**
At 31 December 2022	**10,559,155**	**41,965**	**(82,392)**	**(1,573,262)**	**8,945,466**

The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised or transferred to retained profits should the related share options lapse or be forfeited.

51. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 30 March 2023.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
REVENUE	**5,296,197**	6,023,419	5,551,791	6,335,620	6,980,270
PROFIT/(LOSS) BEFORE TAX	**283,466**	(264,874)	1,018,410	1,031,631	1,537,580
Income tax expense	**(57,655)**	(23,960)	(131,970)	(189,545)	(159,624)
PROFIT/(LOSS) FOR THE YEAR	**225,811**	(288,834)	886,440	842,086	1,377,956
Profit/(loss) attributable to equity holders of the Company	**258,236**	(321,312)	763,694	682,864	1,268,645

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000
Total assets	**52,028,265**	54,874,237	57,127,247	52,192,282	43,408,150
Total liabilities	**(36,936,541)**	(42,792,183)	(44,002,357)	(41,186,513)	(32,532,743)
	15,091,724	12,082,054	13,124,890	11,005,769	10,875,407

The summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years has been extracted from the published audited financial statements of the Company.

山高新能源集團有限公司
SHANDONG HI-SPEED NEW ENERGY GROUP LIMITED