

# Corporate Governance Report

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Group strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard the interests of the Company and the shareholders as a whole. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to maximise return for shareholders.

In the opinion of the Board, save as disclosed below, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the year ended 31 December 2022.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

## BOARD OF DIRECTORS

### Role and delegation

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

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

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

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

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

### Board Composition

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

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

Note:

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

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

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

### Chairman and Chief Executive Officer

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

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

## BOARD OF DIRECTORS (CONTINUED)

### Chairman and Chief Executive Officer (Continued)

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

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

### Independent non-executive Directors

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

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

### Nomination policy and Board diversity

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

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

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

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

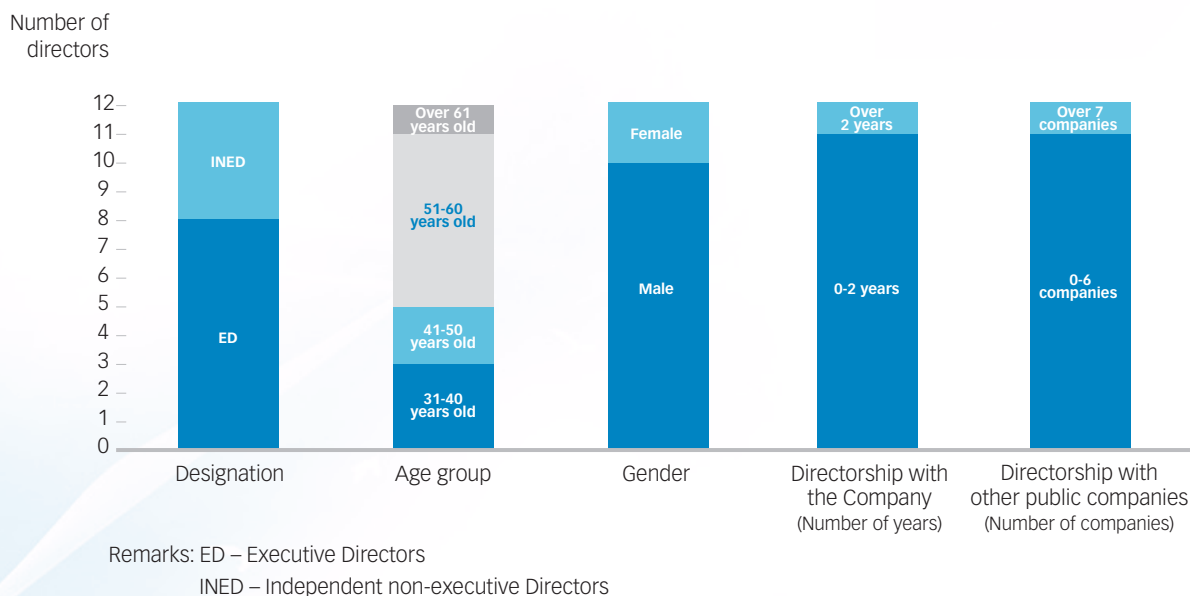
### Nomination policy and Board diversity (Continued)

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

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

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

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





## BOARD OF DIRECTORS (CONTINUED)

### Nomination policy and Board diversity (Continued)

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

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

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

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

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

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

### Directors' induction and continuous professional development (Continued)

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

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

Notes:

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

## BOARD COMMITTEES

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

### Audit Committee

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

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

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

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

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

# Corporate Governance Report

## BOARD COMMITTEES (CONTINUED)

### Auditor's remuneration

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

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

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

<sup>#</sup> 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.

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

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

### Nomination Committee

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

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

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

- considered and made recommendations to the Board on the change of members of Remuneration Committee;
- considered and made recommendations to the Board on the appointment of Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Mr. Wang Wenbo, Mr. Sun Qingwei, Ms. Liao Jianrong, Mr. Li Li, Mr. He Yongbing and Ms. Ai Yan as executive Directors, and the appointment of Professor Shen Zuojun, Mr. Victor Huang and Mr. Yang Xiangliang as Independent Non-Executive Directors;
- made recommendations to the Board on the re-appointment of the retiring Directors at the annual general meeting of the Company;
- reviewed the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;



## BOARD COMMITTEES (CONTINUED)

### Nomination Committee (Continued)

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

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

### Remuneration Committee

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

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

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

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

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

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

# Corporate Governance Report

## BOARD AND BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS

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

Meetings attended/held								
Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Adjourned	Extraordinary	Extraordinary
						Annual	General	General
						General Meeting	Meeting Held on 29 April 2022	Meeting Held on 24 June 2022
<b>Executive Directors</b>								
Mr. Wang Xiaodong <i>(Chairman)</i> <sup>1</sup>	6/6	–	0/0	–	1/1	1/1	–	1/1
Mr. Zhu Jianbiao <sup>2</sup>	6/6	–	–	–	1/1	1/1	–	1/1
Mr. Wang Wenbo <sup>2</sup>	6/6	–	–	–	0/1	0/1	–	0/1
Mr. Sun Qingwei <sup>2</sup>	6/6	–	–	–	1/1	1/1	–	1/1
Ms. Liao Jianrong <sup>3</sup>	6/6	–	–	0/0	1/1	1/1	–	1/1
Mr. Li Li <sup>2</sup>	5/6	–	–	–	0/1	0/1	–	0/1
Mr. He Yongbing <sup>2</sup>	4/6	–	–	–	0/1	0/1	–	0/1
Ms. Ai Yan <sup>2</sup>	6/6	–	–	–	0/1	1/1	–	1/1
Mr. Zhang Tiefu <sup>7</sup>	5/6	–	–	–	–	–	1/1	–
Mr. Hu Xiaoyong <sup>8</sup>	3/6	–	1/1	2/2	–	–	0/1	–
Mr. Yang Guang <sup>9</sup>	6/6	–	–	0/0	–	–	1/1	–
Mr. Shi Xiaobei <sup>10</sup>	3/6	–	–	–	–	–	0/1	–
Mr. Tan Zaixing <sup>10</sup>	5/6	–	–	–	–	–	1/1	–
Ms. Huang Danxia <sup>10</sup>	4/6	–	–	–	–	–	0/1	–
<b>Independent non-executive Directors</b>								
Professor Shen Zuojun <sup>4</sup>	3/6	–	0/0	–	0/1	0/1	–	0/1
Mr. Victor Huang <sup>5</sup>	6/6	1/1	–	0/0	1/1	1/1	–	1/1
Mr. Yang Xiangliang <sup>6</sup>	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 <sup>11</sup>	5/6	1/1	1/1	–	–	–	1/1	–
Mr. Xu Honghua <sup>12</sup>	3/6	1/1	1/1	2/2	–	–	0/1	–

## BOARD AND BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS (CONTINUED)

### Notes:

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

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

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

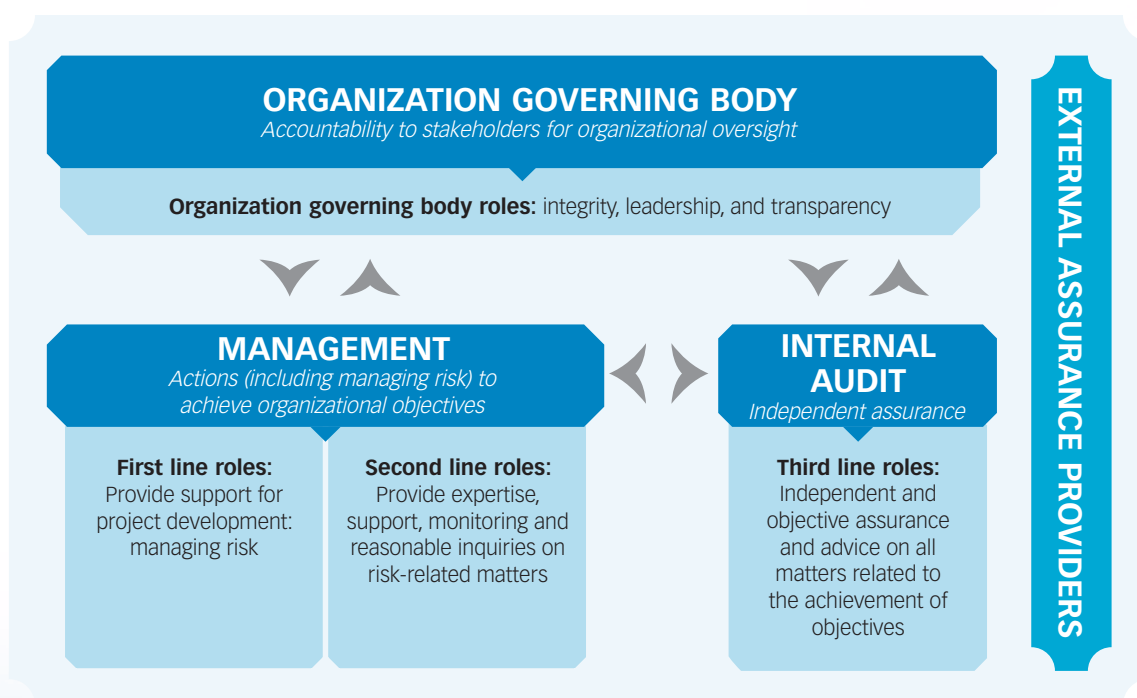
# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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



### ILLUSTRATIONS:

▲ Accountability, reporting

▼ Delegation, direction, resources, oversight

↔ Alignment, communication coordination, collaboration



## RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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

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

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

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

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

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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

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

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

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

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

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

### Whistleblowing

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

### Inside information

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

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

## COMPANY SECRETARY

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

## SHAREHOLDERS' RIGHTS

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

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

### Procedures for directing shareholders' enquiries to the Board

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

### Procedures for putting forward proposals at shareholders' meetings

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

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

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

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

# Corporate Governance Report

## INVESTOR RELATIONS

### Shareholders Communication Policy

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

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

1. Despatched printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) to Shareholders under the Listing Rules, and Shareholders can choose (or are deemed to have consented) to receive such documents by electronic means through the Company’s website;
2. Annual General Meeting or other general meetings (including extraordinary general meetings) of the Company provides a face-to-face forum for Shareholders to raise questions and comments and exchange their views with the Board;
3. Via the Company’s website at [www.shneg.com.hk](http://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](http://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](mailto: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.