

Corporate Governance Report

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management and is strived to improve the governance system and fully adopt the effective code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules of the Stock Exchange. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code. The Company believes that good corporate governance can promote the sound operation and healthy development of the Company and enhance the Shareholders' value in the long run.

During the year ended 31 December 2023 (the "Year"), the Company complied with all the code provisions as set out in the CG Code.

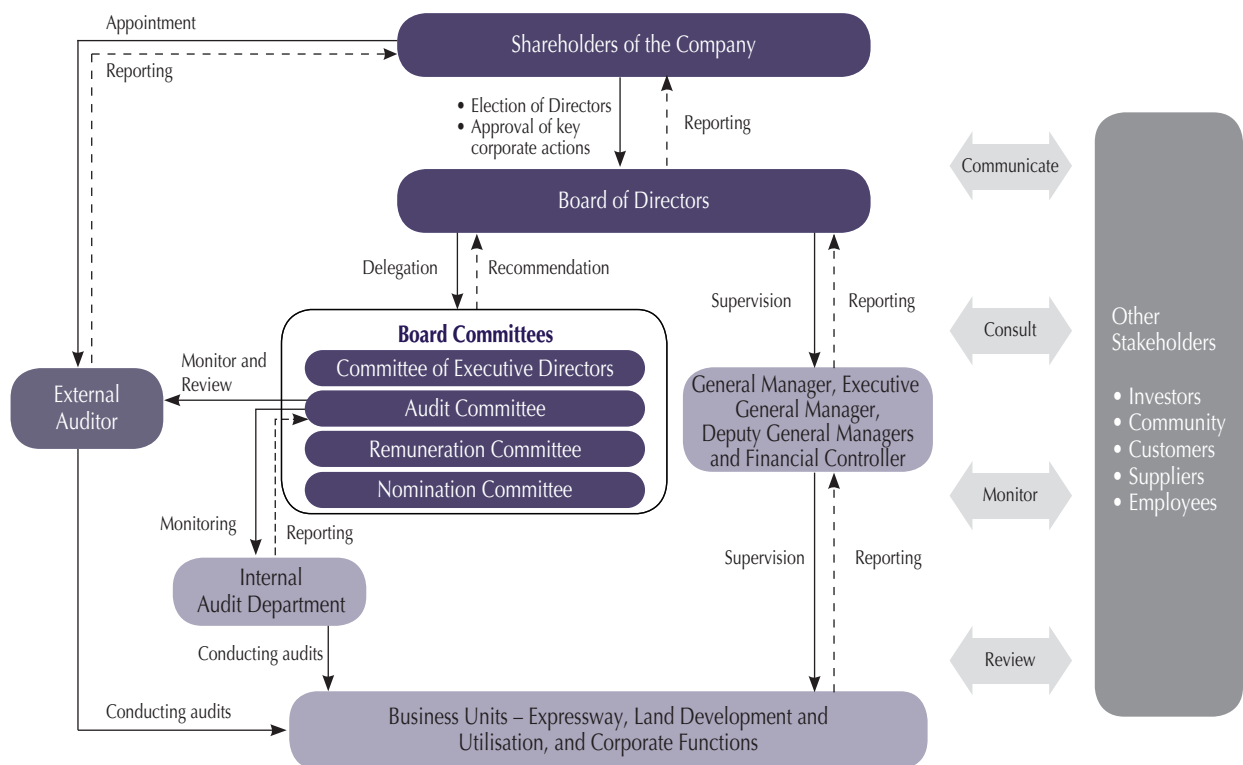
The Company has established a corporate governance structure with the Board as the core, and Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee have been established under the Board. According to the authorisation of the general meeting, the Board exercises management decision-making power in respect of development of strategy, investment and financing, financial control, human resources and corporate governance, and is responsible for leading the overall development of the Group, providing necessary resource guarantee for the implementation of strategic objectives, and supervising and inspecting the development and operation of the Company to promote the sustainable and healthy operation of the Company. The Company has formulated a number of corporate governance related documents, mainly including the Memorandum and Articles of Association, the Rules and Procedures of Board Meetings, the Executive Committee — Terms of Reference, and the Terms of Reference of each specific committee, the Code of Conduct and the Whistleblowing Policy, etc.; among which, the Memorandum and Articles of Association serves as the basis for corporate governance. The Directors of the Company take this as the guideline, take the initiative to lead by example, and perform their duties of loyalty and diligence. During the Year, the Company completed the amendment of Memorandum and Articles of Association of the Company in accordance with the Core Shareholder Protection Standards as set out in Appendix A1 of the Listing Rules to meet the needs of the Company's future development.

The Board is responsible for formulating the Company's medium and long-term development strategies, including corporate mission, corporate culture and values, corporate spirit, strategic objectives, development plans and implementation guarantees. In order to clarify the Company's future development direction and strategic planning objectives, promote and ensure the Company's high-quality development, based on in-depth research on internal and external environments and the Company's core competitiveness, the Company has formulated the "14th Five-Year" development strategic plan.

Corporate Governance Report

The Company discuss and analyse the performance of the Group in the annual report every year, including the impact and the changing trends of domestic and international economic situations, the development situation of the Bay Area, the policies of the expressway industry on the Company's operations, the actual operating results of the Year and the factors affecting them, the completion of the annual operating plan and the annual operating plan for the next year, etc., to ensure the realisation of the Company's medium and long-term development strategic goals.

Corporate Governance Structure



Corporate Governance Report

Board of Directors

The Board

The Company is managed through the Board which as at date of this report comprises four Executive Directors (including the chairman of the Board (“Chairman”)), two Non-executive Directors and three Independent Non-executive Directors. One third of the Board are Independent Non-executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 14 to 18 of this annual report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder of the Company or a Director, the approval of the interim and final results, other disclosures to the public or regulators and the risk management and internal control systems are reserved by the Board and the decisions relating to such matters shall be subject to the decision of the Board. Matters not specifically reserved to the Board and related to the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Executive General Manager.

Independent Non-executive Directors are selected with the necessary skills and experience to provide strong independent element to the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-executive Director a written annual confirmation of independence. All the Independent Non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board has agreed procedures for the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expense. According to the consideration and decision making needs, the Company may engage the professional institutions including the accounting firms, lawyers and assessment institutions based on the actual situations to issue written reports for the Directors’ review. To ensure the independence of the professional institutions, the specific selection and engagement work is conducted by the Independent Non-executive Directors or independent board committee for the engagement of independent financial advisor for the connected transactions. The selection and engagement shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall abstain from voting and shall not be counted as total number of members. The Board reviews the implementation and effectiveness of the above mechanism annually.

Corporate Governance Report

The Company provides the Board and each specific committee under the Board with the materials and information required for consideration of resolutions within a reasonable time frame, makes prompt responses and may provide further information after receiving inquiries from the Directors. Under normal circumstances, relevant documents containing matters intended to be proposed to the Board for consideration or discussion would be dispatched to all Directors at least three days before the meeting. During the Year, the Company provided support to the Directors through the following channels. For example, arrangement was made for managers to report the progress of major events of the Group at Board meetings; and monthly reports on operational and financial performance were sent, to regularly report to the Board on the operational performance in areas such as traffic and toll revenue of expressways, the progress of key works and investment projects as well as relevant financial information and other conditions.

All Directors have given sufficient time and attention to the affairs of the Company after their appointments during the Year and have disclosed to the Company the major offices they held in public companies or organisations and other significant commitments.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Chairman and General Manager

During the Year, Mr. Wei HU* resigned as an Executive Director and the Chairman on 6 January 2023 due to retirement. Mr. Xiangwen LIAO* was appointed and served as the Executive Director and the Chairman since 6 January 2023 and was responsible to chair the operation of the Board and to ensure that the Board works effectively.

During the Year, Mr. Tianliang ZHANG* resigned as the Executive Director and General Manager on 31 March 2023 due to retirement. Mr. Jianming WU* served as the Executive Director and Executive General Manager, is responsible for leading and managing daily operation of the Group. The division of the responsibilities between the Chairman and the Executive General Manager have been established, set out clearly in writing and is not performed by the same individual.

* For identification purpose only

Corporate Governance Report

Board Diversity

The Board has a board diversity policy since January 2019 which aims to set out the approach of the Company to achieve diversity on the Board.

Policy Statement

To enhance decision-making capability and achieve a sustainable development, the Company is committed to maintain a Board with diversity of directors. A number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, nationality and ethnicity, skills, knowledge and length of service, have been considered during the selection process to ensure diversity and to be relevant to the Company's business. All appointment to the Board will be based on merit, having regard to the ability of candidates to complement and expand the skills, knowledge and experience of the Board as a whole.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, nationality and ethnicity, skills, knowledge and length of service. The Board also includes a balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors so that there is element of independence in the Board.

Up to date of this report, the Board comprises nine Directors, including four Executive Directors (including the Chairman), Mr. Xiangwen LIAO*, Mr. Jianming WU*, Mr. Cheng WU* and Mr. Ji LIU*; two Non-executive Directors, Mr. Xuan WANG* and Ms. Siyan CHEN* ; and three Independent Non-executive Directors, Mr. Yu Lung CHING, Mr. Tony Chung Nin KAN and Mr. Peng XUE*. In terms of professional background, the members of the Board possess industry and professional skills in various aspects of toll road operation, project management, transportation, investment and merger and acquisition, listed corporate governance, real estate development, financial securities, financial accounting and auditing, legal affairs, human resources, etc.. In terms of gender, the Board consists of one female Director and eight male Directors, which is not a single-gender Board. Members of the Board are of different professional backgrounds and genders, which help to maintain the diversity of the Board and achieve more comprehensive decision-making. At the same time, the Company is also committed to building a gender-diverse working environment. In the process of employee recruitment, we balance the gender ratio of men and women based on the characteristics of the position. As of 31 December 2023, among all employees of the Company (including senior management), female accounted for 39%, male accounted for 61%, and the gender ratio was relatively balanced.

* For identification purpose only

Corporate Governance Report

Appointment, Re-election and Removal

During the Year, the Board regularly considered and reviewed the plans for orderly succession for appointments to the Board and its structure, size and composition to ensure it had a balance of skills and experience appropriate for the requirements of the business of the Company and had a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there was a strong independent element on the Board, which can effectively exercise independent judgement, and the Non-executive Directors had sufficient caliber and number for their views to carry weight. New Director(s) would be nominated by the Nomination Committee and the appointment should be subject to the Board's approval.

During the Year, among the Non-executive Directors (including Independent Non-executive Directors) appointed, all five Directors have no specific term of service but are subject to retirement from office and re-election at the annual general meetings of the Company in accordance with the Articles of Association, at least every three years.

In accordance with the Articles of Association, all newly appointed Directors shall hold office until the first annual general meeting of the Company after their appointment and shall then be eligible for re-election. Every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her (i) last appointment by the Board, (ii) last election or (iii) last re-election, and shall be eligible for re-election subject to the provisions of the Articles of Association.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

Mr. Xiangwen LIAO* was appointed by the Board as an Executive Director and the Chairman on 6 January 2023. Ms. Siyan CHEN* was appointed by the Board as a Non-executive Director on 3 February 2023. Mr. Xuan WANG* was appointed by the Board as a Non-executive Director on 30 June 2023. The Board has taken into consideration their background, experience and professional skills, the recommendation of the Nomination Committee and considered that they could provide support towards the effective discharge of the duties and responsibilities of the Board. Mr. Xuan WANG* shall hold office until the 2024 Annual General Meeting after his appointment and, being eligible, offer himself for re-election.

* For identification purpose only

Corporate Governance Report

Board Committees

The Board established the Executive Committee with delegated authority for reviewing and approving the day-to-day business operations and ordinary and usual course of business of the Company. This committee comprises all the Executive Directors.

In addition, the Company established the Audit Committee, the Remuneration Committee and the Nomination Committee to deal with the specific matters as set out below in the interest of all Shareholders in an objective manner. The Audit Committee and the Remuneration Committee currently comprise three Independent Non-executive Directors; while the Nomination Committee is chaired by the Chairman and comprises two Independent Non-executive Directors.

Audit Committee

The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Yu Lung CHING (chairman), Mr. Tony Chung Nin KAN and Mr. Peng XUE*. The company secretary of the Company, or in his/her absence, his/her representative, serves as the secretary of the Audit Committee and minutes of the meetings are sent to the members of the Audit Committee within a reasonable time after the meetings.

At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within two years immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirements of the CG Code. Under the terms of reference of the Audit Committee, the corporate governance functions of the Board have been delegated to the Audit Committee to monitor, procure and manage corporate compliance within the Group.

Major roles and functions of the Audit Committee include:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditor
- to approve the remuneration and terms of engagement of external auditor
- to review and monitor external auditor's independence and objectivity

* For identification purpose only

Corporate Governance Report

- to review the Group's financial controls, risk management and internal control systems on on-going basis
- to review the interim and annual financial statements before approval by the Board
- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board
- to review and monitor the training and continuous professional development of Directors and senior management
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- to develop, review and monitor the code of conduct applicable to employees and Directors
- to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report
- to review arrangements for raising concerns about possible improprieties in financial reporting, internal control or other matters

During the Year, the Audit Committee held 5 meetings, and principal works reviewed and discussed included:

- to make recommendations to the Board on the engagement of KPMG as the Company's new external auditor and to determine remuneration of KPMG
- to review the annual financial statements for the year ended 31 December 2022, the first quarter financial statements for the three months ended 31 March 2023, the interim financial statements for the six months ended 30 June 2023 and the third quarter financial statements for the nine months ended 30 September 2023 and make recommendations to the Board for approval
- to review the work performed by Internal Audit Department of the Company
- to review the Group's risk management and internal control systems
- to review the policy of provision of non-assurance services and the report on agreed upon procedures for the third quarter of 2023 by the external auditor
- to review the Company's policies and practices on corporate governance

The terms of reference setting out the authority of the Audit Committee and its duties are available on the Company's website and the Stock Exchange's website.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors namely, Mr. Tony Chung Nin KAN (chairman), Mr. Yu Lung CHING and Mr. Peng XUE*. The head of Human Resources Department of the Company, or in his/her absence, his/her representative, serves as the secretary of the Remuneration Committee and minutes of the meetings are sent to the members of the Remuneration Committee within a reasonable time after the meetings.

The Remuneration Committee has adopted the model that it will review the proposals made by the management of the Company on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Major roles and functions of the Remuneration Committee include:

- to make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management
- to make recommendations to the Board on the remuneration of Non-executive Directors (including Independent Non-executive Directors)

During the Year, the Remuneration Committee held 3 meetings, principal works reviewed and discussed included:

- to review the level of Directors' fees and make recommendations to the Board on the Directors' fees for the year ended 31 December 2023
- to make recommendations to the Board on the performance indicators, performance assessment results and application proposals of senior management for 2021
- to make recommendations to the Board on the performance assessment results and application proposals of management personnel for 2022
- to review the proposal of the tenure contract at the managerial level and make recommendations to the Board

The terms of reference setting out the authority of the Remuneration Committee and its duties are available on the Company's website and on the Stock Exchange's website.

* For identification purpose only

Corporate Governance Report

Nomination Committee

The Nomination Committee is chaired by the Chairman and comprises two Independent Non-executive Directors namely, Mr. Xiangwen LIAO* (chairman), Mr. Yu Lung CHING and Mr. Tony Chung Nin KAN. The company secretary of the Company, or in his/her absence, his/her representative, shall act as the secretary of the Nomination Committee and minutes of the meetings are sent to the members of the Nomination Committee within a reasonable time after the meetings.

The Nomination Committee is to assist the Board in providing transparent and independent oversight for matters in relation to board nomination and recruitment, board diversity and succession planning of the Company.

Major roles and functions of the Nomination Committee include:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
- to identify individuals suitably qualified to become a Director and select or make recommendations to the Board on the selection of individuals nominated for directorships
- to assess the independence of Independent Non-executive Directors
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman, the General Manager and the Executive General Manager

During the Year, the Nomination Committee held 1 meeting and all members signed 3 written resolutions, principal works reviewed and discussed included:

- to assess Directors who stand for re-election at the annual general meeting in 2023 and make recommendations to the Board
- to assess Mr. Xiangwen LIAO*, a candidate as an Executive Director and Chairman, Ms. Siyan CHEN*, a candidate as a Non-executive Director, and Mr. Xuan WANG*, a candidate as a Non-executive Director, and make recommendations to the Board
- to assess and recognise the independence of Independent Non-executive Directors

The terms of reference setting out the authority of the Nomination Committee and its duties are available on the Company's website and the Stock Exchange's website.

* For identification purpose only

Corporate Governance Report

Attendance at Meetings

During the Year, the attendance records of the following Directors at Board meeting, Audit Committee meeting, Remuneration Committee meeting, Nomination Committee meeting and the 2023 Annual General Meeting are as follows:

Name of Directors	Number of meetings attended/held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2023 Annual General Meeting
Executive Directors					
Mr. Xiangwen LIAO* <i>Chairman</i> (appointed on 6 January 2023)	5/6	N/A	N/A	1/1	1/1
Mr. Wei HU* <i>Chairman</i> (resigned on 6 January 2023)	N/A	N/A	N/A	N/A	N/A
Mr. Tianliang ZHANG* <i>General Manager</i> (resigned on 31 March 2023)	2/2	N/A	N/A	N/A	N/A
Mr. Jianming WU* <i>Executive General Manager</i>	6/6	N/A	N/A	N/A	1/1
Mr. Cheng WU* <i>Deputy General Manager</i>	6/6	N/A	N/A	N/A	1/1
Mr. Ji LIU* <i>Deputy General Manager and Secretary to the Board</i>	6/6	N/A	N/A	N/A	1/1
Non-executive Directors					
Ms. Siyan CHEN* (appointed on 3 February 2023)	5/5	N/A	N/A	N/A	0/1
Mr. Xuan WANG* (appointed on 30 June 2023)	3/3	N/A	N/A	N/A	N/A
Mr. Junye CAI* (resigned on 3 February 2023)	1/1	N/A	N/A	N/A	N/A
Mr. Weiguo ZONG* (resigned on 30 June 2023)	0/3	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Brian David Man Bun LI JP (retired on 19 May 2023)	3/3	2/2	2/2	1/1	1/1
Mr. Yu Lung CHING	6/6	5/5	3/3	1/1	1/1
Mr. Tony Chung Nin KAN SBS, JP	5/6	4/5	2/3	0/1	1/1
Mr. Peng XUE*	6/6	3/3	1/1	N/A	1/1

* For identification purpose only

Corporate Governance Report

Induction Programme and Training for Board Members

A comprehensive and formal induction programme on key areas of business operations and practices of the Company is given to newly appointed Board members by the Company. A Guide on Directors' Duties published by the Companies Registry of Hong Kong and a Guide for Independent Non-executive Directors published by The Hong Kong Institute of Directors (in case of Independent Non-executive Director(s)) has/have been sent to each Director for his/her information and ready reference.

During the Year, Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities.

Directors' training is an on-going process. All Directors are encouraged to attend relevant training courses to enrich their knowledge in discharging their duties as a director.

The Directors received trainings on the following areas to update and develop their skills and knowledge during the Year:

Name of Directors	Corporate Governance	Legal and Regulatory	Group's Business
Executive Directors			
Mr. Xiangwen LIAO* (appointed on 6 January 2023)	✓	✓	✓
Mr. Wei HU* (resigned on 6 January 2023)	N/A	N/A	N/A
Mr. Tianliang ZHANG* (resigned on 31 March 2023)	N/A	N/A	N/A
Mr. Jianming WU*	✓	✓	✓
Mr. Cheng WU*	✓	✓	✓
Mr. Ji LIU*	✓	✓	✓
Non-executive Directors			
Ms. Siyan CHEN* (appointed on 3 February 2023)	✓	✓	✓
Mr. Xuan WANG* (appointed on 30 June 2023)	✓	✓	✓
Mr. Junye CAI* (resigned on 3 February 2023)	N/A	N/A	N/A
Mr. Weiguo ZONG* (resigned on 30 June 2023)	✓	✓	✓
Independent Non-executive Directors			
Mr. Brian David Man Bun LI JP (retired on 19 May 2023)	✓	✓	✓
Mr. Yu Lung CHING	✓	✓	✓
Mr. Tony Chung Nin KAN SBS, JP	✓	✓	✓
Mr. Peng XUE*	✓	✓	✓

* For identification purpose only

Corporate Governance Report

Company Secretary

The company secretary of the Company (the “Company Secretary”) is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He/She is also responsible for ensuring that the Board is fully apprised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Executive General Manager, plays an essential role in the relationship between the Company and its Shareholders, and assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules.

Ms. Ching Fan KOO of Fair Wind Secretarial Services Limited, an external service provider, has been engaged by the Company as its Company Secretary. The primary contact person of the Company with Ms. KOO is Mr. Ji LIU*, the Deputy General Manager and Secretary to the Board. Ms. KOO attended no less than 15 hours of relevant professional training during the Year.

Accountability and Audit

Financial Reporting

The Directors recognise the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

During the Year, all Directors have been provided, on a monthly basis, with the Group’s updates giving a balanced and understandable assessment of the Group’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

External Auditor and their Remuneration

The Company’s external auditor is KPMG. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor’s Report on pages 89 to 93 of this Annual Report. The independence of the external auditor is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of external auditor as well as approving the terms of engagement and remuneration.

* For identification purpose only

Corporate Governance Report

During the Year, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	RMB'000
Audit services	1,030
Non-audit services:	
Interim review	300
Others	389
Total	1,719

Risk Management and Internal Controls

The Board is of the opinion that sound risk management and internal control systems will help achieve the Group's business objectives, safeguard the Group's assets and contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations. The Group commits to implement the risk management and internal control systems compatible with the COSO (Committee of Sponsoring Organisations of the Treadway Commission) standards to provide reasonable, though not absolute, assurance against material misstatement or loss.

Roles and Responsibilities

The Board acknowledges its overall responsibility for the Group's risk management and internal control systems and for overseeing its effectiveness on an on-going basis through the Audit Committee which reports to the Board, when necessary, during the regular quarterly board meetings. Executive Directors and management teams are delegated the roles of designing and maintaining an environment where managing risks forms the base of all activities.

Evaluation of the Group's risk management and internal control systems, including its effectiveness, proper functioning and compliance with internal policies and external regulations, is independently and consistently conducted by the Internal Audit Department for principal operations.

Corporate Governance Report

Risk Management and Internal Control Framework

Under the Risk Management Policy approved by the Board, the Group strives to ensure that risk management and internal controls are integrated into the normal business processes and aligned with the strategic goals of the Group. The Group's risk management and internal control framework, integrating the principles of the COSO, is highlighted as follows:

Control Environment

The Group, committed to ethical values, believes that honesty, integrity and fair play are its important assets in doing business. Such belief is realised through the Group's Code of Conduct under which employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. To enhance the Group's internal control mechanism and the awareness of corporate justice, a Whistle-blowing Policy has been in force. The policy provides a platform for employees and those who deal with the Company raising serious concerns internally in an effective manner.

The Group attaches great importance to the maintenance of an honest and upright working environment, and adopts a "zero tolerance" attitude towards improper conducts such as corruption, bribery and fraud. The Group have formulated the Code of Conduct and Whistleblowing Policy. Of which, the Code of Conduct regulates the ethics of employees at all levels of the Group. The main content includes: unless with the prior and specific approval from the Group, the Directors and staff should not solicit or accept any advantage for themselves or others from any person, company or organisation having business dealings with the Group; and, when actual or potential conflicts of interest arises, employees should report to the General Manager or the Board. The Whistleblowing Policy provides employees with relevant guidelines to ensure that improper behavior can be reported in a timely manner. The main content includes: when employee who has a legitimate malpractice concern, should inform the respective head of department and the head of internal audit department in person or in writing; and depending on the nature and circumstances, the reported matter can be investigated internally, referred to the Hong Kong Police Force or relevant regulatory body, referred to an external auditor and/or constituted an independent inquiry. The Group's anti-corruption system and Whistleblowing Policy can be found in the environmental, social and governance ("ESG") report which is available on the Company's website and the Stock Exchange's website.

The Board, as the top strategy and policy setting body of the Group, provides oversight to the Group's management under the leadership of the General Manager. Clear corporate governance structure (as depicted on page 47 of our Corporate Governance Report) and reporting lines have been established with responsible parties held accountable for their own assigned areas.

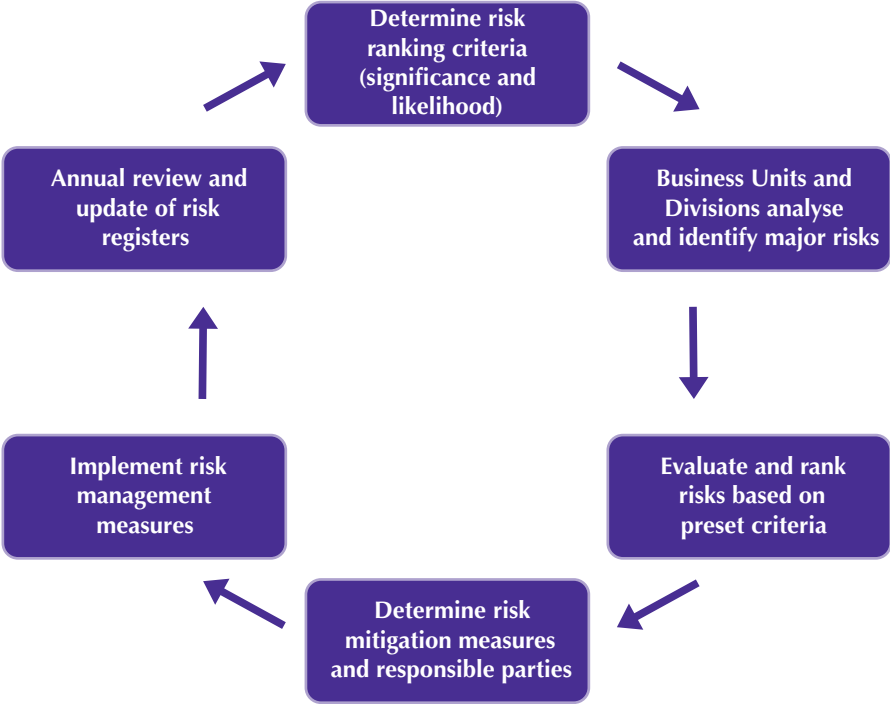
Corporate Governance Report

Risk Assessment

A holistic risk management framework is adopted across the Group for:

- (i) Identifying, communicating, mitigating and escalating major risk issues (including ESG risks);
- (ii) Incorporating risk management principles and objectives into strategic, operational and resource planning activities; and
- (iii) Designing and implementing an effective and efficient operation, enabling the Group to respond to a variety of risks (including ESG risks).

The Group’s ongoing risk assessment program encompasses the following key steps:



Corporate Governance Report

Control Activities/Information and Communication

Internal control procedures of the Group include a comprehensive budgeting, information reporting and performance monitoring system.

Business plans and budgets, taking into consideration significant business risks, are prepared annually by the management of each business unit of the Company for review and approval by the Executive Directors. These plans and budgets are then reviewed periodically against actual performance for validity and adjustments. Various policies and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The Executive Directors review monthly management reports and hold periodical meetings with the operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any operation and finance related matters.

Senior management of the Company conducts a self-assessment on their compliance with the Group's policies, relevant regulations and the fulfillment of their risk management and internal control duties annually. A confirmation is then completed and submitted to the Audit Committee and be reported to the Board.

Monitoring Activities

The Board, through the Audit Committee, oversee the risk management and internal controls of the Group, with assistance from external and internal auditors. External auditor informs senior management of the Company and the Audit Committee on the operation of financial controls reviewed as part of the statutory audit. Findings and risk concerns of internal auditor are raised to responsible management by the Internal Audit Department for rectification with significant items reported to the Audit Committee at least twice every year. Implementation status of audit findings would also be followed up by the Internal Audit Department and reported to the Audit Committee.

Risk Management and Internal Control Review

During the Year, the Board, through the Audit Committee, has reviewed the effectiveness and proper functioning of the Group's internal control and risk management systems, financial reporting and rules/regulations compliance. These reviews also covered the adequacy of resources and competency of the financial/internal auditing as well as those relating to the Company's ESG performance and reporting. No major exception was noted.

Corporate Governance Report

Key Risk Profile of the Group

Based on the risk assessment conducted for the Year, impacts from the macroeconomic, financial, exchange rates, road safety and toll system security contributed to the most highly-ranked risks of the Group's main business segments.

The key risks thus identified and their trends are further illustrated as follows:

Risk Category	Risk Event	Risk Description	Risk Change in 2023
Macroeconomic Risk	Global economy	In 2023, under the severe and complex situation such as the rising risk of global stagflation, the economy faced a greater impact and the downward pressure was significantly increased.	↔
Financial Risk	Capital expenditure	Major business expansion projects such as Beijing-Hong Kong-Macao Expressway (Guangzhou to Shenzhen Section) Reconstruction and Expansion Project require more capital expenditures. Although the Company has established funding management plans, phased investment and monitoring of major financial indicators, unpredictable risks still exist.	↔
Exchange Rates Risk	HKD borrowing rates and exchange rate fluctuations	Exchange losses arises from debts held in foreign currencies caused by exchange rate fluctuations and significant increase in interest rates of foreign currencies.	↔
Safety Risk	<ol style="list-style-type: none"> Responsibility of road safety management Toll collection system breakdown due to virus attack or error 	<ol style="list-style-type: none"> Possible safety risks resulting from any failure to perform the responsibility of road safety management. In the national ETC network of toll collection system, data security must be strictly guaranteed. Data leakage will not only bring serious consequences to users, but may also lead to wrong charges. If there is a safety risk in the physical transmission link in the ETC system, the signal will be interfered or tampered with. 	↔

Remarks:

↔ Inherent risks (risks before mitigation measures) remain stable

Corporate Governance Report

The Company prepares a detailed list of annual risk management plans, which records in detail the risk issues identified and the assessment results of the risk issues, formulates risk response measures on risks, and prioritises the risk issues based on the quantified risk assessment values, and determines key significant risks to focus on and prioritize control.

In addition to the significant risks mentioned above, the Company also continuously monitors and responds to other identified major risks: production management risks, capital operation risks, debt risks, investment risks, market competition risks, policy risks, etc., to ensure the realisation of the Group's business objectives.

Business Ethics

The Company considers ethical corporate culture and employees' honesty and integrity to be important assets and endeavours to comply with the laws and regulations of the countries in which we operate. All Directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The Code of Conduct is posted on the Company's intranet for observance by all staff. The heads of business units, through the Human Resources Department of the Company, are charged with the responsibility of disseminating the Code of Conduct requirements to the employees concerned.

Remuneration Policy

The Company formulates a competitive remuneration policy by reference to prevailing market salary practices in order to attract, retain and motivate the Directors and senior management of the Company to achieve the strategic targets of the Group. The remuneration package of the Executive Directors comprises of basic annual salary and performance related bonus and other benefits including contributions to retirement benefit scheme, medical insurance, accident cover. No Director is allowed to approve his/her own remuneration.

The Executive Directors' remunerations are reviewed by the Company annually by reference to the Executive Directors' job nature, job responsibilities and performance assessment. Directors' fees for the Year had been approved by the Shareholders at the 2023 annual general meeting.

Corporate Governance Report

Inside Information Policy

The Board has adopted the Inside Information Policy setting out the guidelines to the Directors and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by the Directors and an employees' share dealing rules (the "Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of inside information. Having made specific enquiry with all Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the Year.

Shareholders

Communication with Shareholders

The Company recognises the importance of communication with the Shareholders, both individual and institutional as well as potential investors. The Board has adopted a Shareholders' Communication Policy setting out the provisions with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company. Specific communication channels include the option for Shareholders to access the latest and material information of the Group's major development projects through the Company's website; the annual general meeting to provide a platform for Shareholders to raise questions, deliver proposals and exchange views with the Directors; from time to time, arranging press conferences, analyst and investor briefing sessions to provide interested parties with the latest information on the Group's business performance. The Shareholders' Communication Policy of the Company is posted on the Company's website.

Corporate Governance Report

Disclosure of Information on the Company's Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at www.sihbay.com where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by Shareholders and other stakeholders. The Company also discloses in a timely manner the toll revenue of the GS Superhighway, the GZ West Superhighway and the Coastal Expressway (Shenzhen Section) on a monthly basis. When announcements are made through the Stock Exchange, the same information is also made available on the Company's website.

Annual General Meeting

The Company's annual general meeting is one of the principal channels of communication with its Shareholders. It provides an opportunity for Shareholders to communicate face-to-face with the Directors about the Company's performance and operations. It has been the practice for all the Executive Directors (including the Chairman) and the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee together with the external auditor of the Company to attend the annual general meeting to response Shareholders' questions. The 2023 annual general meeting was held at Century Room II, Basement 2, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 19 May 2023. The 2024 Annual General Meeting has been scheduled to be held on 21 May 2024.

Investor Relations

Committed to upholding sound corporate governance practices, the Company believes that good communications with the market and Shareholders as well as transparency are of high priority.

As an important component to engage market participants, the Company's open and effective communications with the investment community is well-recognised. Proactive investor relations program was continued during the Year. Subsequent to interim and annual results announcements, two online results presentations via internet platform with investors, analysts and media were held with the attendance of senior management of the Company to answer queries. To further facilitate exchange of opinions, the senior management of the Company regularly attended investor meetings, roadshows, and conferences engaging both local and overseas investors and analysts. During the Year, more than twenty related activities were participated and communicated with investors and analysts with a total attendance of over 100. In addition, the Company answered the enquiries of investors related to the business of the Company in a timely manner and communicate with investors through direct calls and emails and etc..

Corporate Governance Report

Good information disclosure can help investors to effectively understand the Company's operation and improve investors' awareness and recognition. During the Year, the Company completed the compilation and disclosure of the annual report and interim report in a timely manner, and conducted in-depth analysis on the Company's operation and financial conditions and changes in the external operating environment in the annual report and interim report. At the same time, information such as quarterly financial information and monthly operating information announcements continued to be disclosed during the Year, which further deepened investors' understanding of the Company's business development trend. On the other hand, the Company kept its website updated by publishing essential corporate information including announcements, press releases and financial reports on a timely and accurate basis. As a result, investors could keep track of the latest updates of the Company's business and financial performance.

The Board has reviewed the implementation of the Shareholders' Communication Policy of the Company for 2023. Having considered the above communication channels with investors, the steps taken and the activities held by the Company, the Company considers that the Shareholders' Communication Policy for 2023 has been effectively implemented. Going onward, the Company will continue to advocate its high level of corporate governance framework, aiming to enhance market confidence and maximise Shareholders' value. Investors can direct any comment or enquiry to the Company's investor relations team at ir@sihbay.com.

Shareholders' Rights

The Company recognises the significance and importance of having a governance framework that protects Shareholders' rights.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at each general meeting, and questions from Shareholders regarding the voting procedures are answered. The poll results are posted on the Company's website and on the Stock Exchange's website on the same day of the poll.

Convening of Extraordinary General Meeting on Requisition by Shareholders

In accordance with Article 68 of the Articles of Association, any one or more Shareholders holding together, as at the date of deposit of the requisition, Shares representing not less than one-tenth of the voting rights, on a one vote per share basis, which carry the right of voting at general meetings of the Company, may require the Board to convene an extraordinary general meeting ("EGM") by written requisition. The written requisition shall be deposited at the principal office of the Company in Hong Kong at Rooms 4902–4916, 49th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s) for the attention of the Company Secretary.

Corporate Governance Report

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene an EGM, the Shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.

The EGM convened by the Shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department of the Company whose contact details are as follows:

Investor Relations Department
Shenzhen Investment Holdings Bay Area Development Company Limited
Rooms 4902–4916, 49th Floor, Sun Hung Kai Centre,
30 Harbour Road, Wan Chai, Hong Kong
Email: ir@sihbay.com
Tel No.: (852) 2191 1622
Fax No.: (852) 2861 0177

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

Procedures for Putting Forward Proposals at General Meetings by Shareholders

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands. However, Shareholders are requested to follow Article 68 of the Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above.

Pursuant to Article 116 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless (i) he/she is recommended by the Board for election; or (ii) a Shareholder shall have given notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been given to the Company in the year commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as Director is posted on the Company's website.