



北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1599



Annual Report 2020



Design the city
Build the future



公正路北站
原站址校址
新长江站
出口 C
EXIT

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DEFINITIONS

In this Annual Report, the following expressions shall have the following meanings unless the context otherwise requires:

“Articles of Association”	the Articles of Association of Beijing Urban Construction Design & Development Group Co., Limited
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司) (the controlling shareholder of the Company)
“Company”	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司)
“Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as may be amended, supplemented and otherwise modified from time to time
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted shares which are currently not listed or traded on any stock exchange
“Group”, “us” or “we”	the Company and its subsidiaries
“Share(s)”	ordinary share(s) of the Company, including H Share(s) and Domestic Share(s)
“H Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“PRC” or “China”	the People’s Republic of China
“Reporting Period” or “the Year”	For the year ended 31 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Supervisor(s)”	supervisor(s) of the Company
“%”	Percent
“MOHURD”	the Ministry of Housing and Urban-rural Development of the PRC
“NDRC”	the National Development and Reform Commission of the PRC
“MOF”	the Ministry of Finance of the PRC

CORPORATE INFORMATION

REGISTERED NAME:

Chinese:

北京城建設計發展集團股份有限公司

English:

Beijing Urban Construction Design &
Development Group Co., Limited

LISTING PLACE OF H SHARES:

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK:

H Shares

STOCK NAME:

UCD

STOCK CODE:

1599

H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:

5 Fuchengmen North Street, Xicheng District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East,
Wanchai, Hong Kong

LEGAL REPRESENTATIVE:

Mr. Pei Hongwei

SECRETARY OF THE BOARD:

Mr. Xuan Wenchang

WEBSITE:

www.bju.cd.com

AUDITOR:

Ernst & Young

LEGAL ADVISORS:

As to Hong Kong Laws:
Clifford Chance

As to PRC Laws:
Beijing Ocean Law Firm

FINANCIAL SUMMARY

For the year ended 31 December 2020, the Group achieved revenue of RMB9,985 million, while the net profit for the Reporting Period amounted to RMB808 million.

The Group has principally two business segments, including the design, survey and consultancy segment as well as the construction contracting segment.

The following table sets out the Group's revenue of each business segment generated and their percentages of the operating revenue for the periods indicated:

	For the year ended 31 December			
	2020 RMB' 000	Percentage of operating revenue (%)	2019 RMB' 000	Percentage of operating revenue (%)
Design, survey and consultancy	3,666,892	36.72	3,662,649	43.53
Construction contracting	6,317,999	63.28	4,751,390	56.47
Total	9,984,891	100.00	8,414,039	100.00

For the year ended 31 December 2020, the Group's total revenue was RMB9,985 million, representing an increase of RMB1,571 million or 18.67% compared with the corresponding period of last year, mainly attributable to the steady growth of construction contracting business.

The financial information for the years of 2016, 2017, 2018, 2019 and 2020 prepared by the Group in accordance with the International Financial Reporting Standards is summarized as follows:

	As at 31 December/Year ended 31 December				
	2020 RMB' 000	2019 RMB' 000	2018 RMB' 000	2017 RMB' 000	2016 RMB' 000
Total assets	21,059,511	20,458,847	16,402,288	14,341,844	11,003,118
Total liabilities	15,311,438	15,361,962	11,819,183	10,158,526	7,485,646
Non-controlling interests	297,963	264,601	265,254	262,742	223,304
Interests of the owners (excluding non-controlling Shareholders)	5,450,110	4,832,284	4,317,851	3,920,576	3,294,168
Revenue	9,984,891	8,414,039	7,186,146	6,972,545	5,090,073
Gross profit	1,896,527	1,679,197	1,423,801	1,343,218	1,103,034
Profit before tax	914,388	769,920	686,932	608,755	566,966
Profit attributable to owners of the parent	786,535	658,085	562,382	495,919	471,950



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Group, I am pleased to present the annual results in 2020 to the Board of Directors of the Group.

2020 marked the last year of “the 13th Five-Year Plan” period and the first year of “the 14th Five-Year Plan” period. China launched its new blueprint for its second centennial goal. Beijing Urban Construction Design & Development Group was a strong champion of the support initiative (stabilization and support in 6 areas) and in both the pandemic fight and production and operation. Specifically, we gathered strength and strove ahead to focus on the main development direction and cemented the business foundation. Meanwhile, we, based on the production management, worked hard to promote the enterprise to serve national strategies and the capital's development despite the difficulties standing in the way. As of 31 December 2020, the annual revenue was RMB9,985 million, with a net profit of RMB808 million. The Group witnessed steady improvements in all major operating indicators, with the strength of rail transit in the whole industry chain taking shape, which would contribute to improving the integrated competence of the Group by core competitiveness.

2021 embraces the 100 anniversary of the founding of the Communist Party of China and the first year of the “14th Five-Year Plan” period. It represents a historic joint and new start. We will remain committed to our strategy and confidence in development. That means we have to seize opportunities for further development stages to practice new development concepts by shaping a fresh development pattern. The Group will stay committed to our great ambitions for a first-class enterprise. To make it happen, we will, following the “14th Five-Year Plan”, seize all opportunities for innovation so as to put the enterprise on the track to further develop the whole chain of the rail transit industry. This will help us work together to move forward in the guidance of urban construction design featuring “ingenuity, responsibility, innovation, and fighting will”. We will end up with the high-quality development satisfying our customers, Shareholders and the rest of society.

In conclusion, I would like to take this opportunity to extend my gratitude to our Shareholders, customers and business partners for their support and trust, as well as to our Directors, Supervisors, management and employees for their tireless efforts and dedication to the Group.



Pei Hongwei
Chairman

Beijing, 26 March 2021

GENERAL MANAGER'S STATEMENT

2020 was the last year of “the 13th Five-Year Plan” period and marked a remarkable year in the history of Beijing Urban Construction Design & Development Group. Confronting the double challenges imposed by complicated economic environments and the COVID-19 pandemic, we, guided by the strong sense of mission and responsibility, moved forward against adversity to explore business opportunities, new drivers and looks, which promoted the sound development of the enterprise.

This year witnessed our constant hard-working advances against competitions. The general contracting projects of seven rail transit lines cemented our market position. The Xiong'an-Beijing Daxing International Airport express line served the great national development strategy. The market in Chongqing introduced the general networked design; survey business served the construction of Xiong'an New Area and the sub-center of the capital, recording a new high in performance; civil construction and municipal design business saw a rising influence by serving 2020 China Beijing International Fair for Trade in Services; general engineering segment witnessed new orders signed; the industrialization plate became the leading provider of cloud solutions for urban rail lines under construction and open to the public; won the bidding for agent construction of Hainan Provincial Sports Academy by the full-license qualification; invested in the construction of Zhuzhou smart rail, making new systematic breakthroughs in the medium-capacity rail transit in China.

This year, we were empowered by innovation. Kunming Line 4, the first urban rail project we invested, constructed and operated, was officially open to the public, receiving a total of 15 million trips in Kunming, with an amazing on-schedule rate up to 99.99%; 65 innovation projects were set up to be implemented, with the investment in scientific research over RMB100 million, granted several awards at the State, ministry and provincial level; The self-designed and constructed headquarters office area shined, integrating the time-honored beauty of historical architectures and the artistic beauty of the technology in the new times. It also met the demand of the enterprise for future development. Arguably, it shaped a classic case in city renewal and the all-round reconstruction of old buildings.

This year, we developed and enhanced. We deepened political construction by such initiatives as “Four Awareness”, “Four Confidence” and “Two Safeguarding” so as to perform the “major three responsibilities” as a state-owned enterprise, contributing to the victory of “major three tough mission” and the pandemic fight; the efforts in Party integrity deepened over time with all-staff theme education working well to better voice for the enterprise. This helped improve the service capacities of labor unions and groups and join hands to build up a harmonious enterprise home.

Looking back, we, with great ambitions, moved forward against challenges and difficulties, carving the startup passion for constant innovation and advances into our business expansion efforts. Looking into the future, the first year of “the 14th Five-Year” period is stepping on the great blueprint and we are once again embarking on a new journey.

2021 will see our long commitments and ambitions for great development. For that, we will run against every single second to live up to our youth. We will devote ourselves to the model featuring lead by design, industry coordination and driven by innovation. Let's join each other to work harder for a shared future in urban design that is more promising !

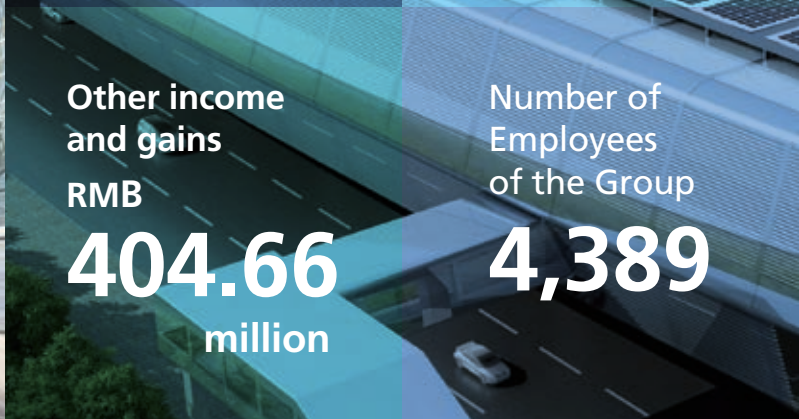
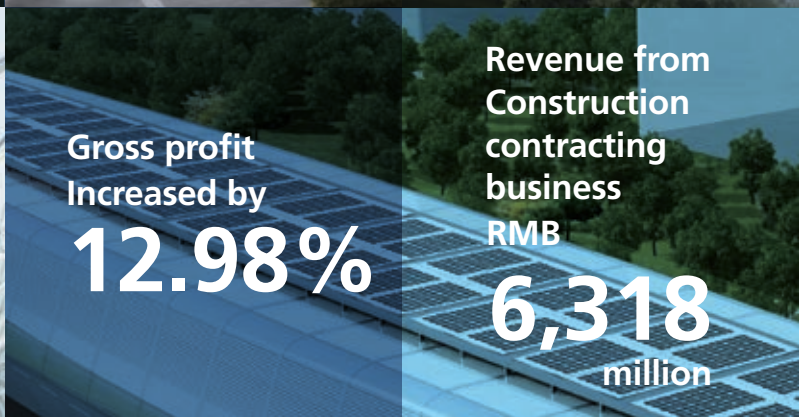
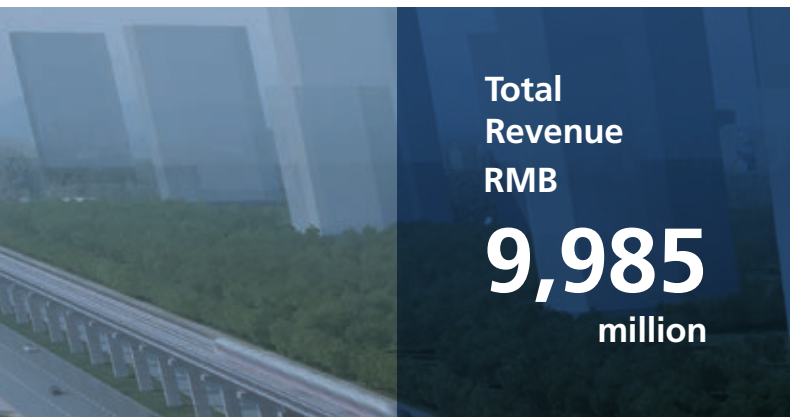


Wang Hanjun
General Manager

Beijing, 26 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS





SUMMARY

2020 was the last year of the “13th Five-Year Plan” period and a year meaning much in the Company’s development. Confronting the unexpected COVID-19 pandemic, the Company was a strong champion of the superior’s arrangements by committing itself to the main development orientation and innovations. This would help fight the pandemic for orderly production and operation and put the Company on a high-quality development track.

As of 31 December 2020, the Group’s revenue amounted to RMB9,985 million, representing an increase of RMB1,571 million or 18.67% compared to RMB8,414 million for last year. The Group’s net profit amounted to RMB808 million, representing an increase of RMB142 million or 21.32% compared to the net profit of RMB666 million for last year.

FINANCIAL REVIEW

SUMMARY OF OPERATING RESULTS

	Year ended 31 December	
	2020	2019
	(RMB' 000) (Audited)	(RMB' 000) (Audited)
Revenue	9,984,891	8,414,039
Cost of sales	(8,088,364)	(6,734,842)
Gross profit	1,896,527	1,679,197
Other income and gains	404,664	382,919
Selling and distribution expenses	(78,777)	(73,149)
Administrative expenses	(843,741)	(827,541)
Impairment losses on financial and contract assets, net	(289,041)	(175,636)
Other expenses	(16,773)	(1,744)
Finance costs	(245,956)	(232,058)
Share of profits of joint ventures	87,170	14,700
Share of profits of associates	315	3,232
Profit before tax	914,388	769,920
Income tax expense	(106,836)	(104,344)
Profit for the year	807,552	665,576

REVENUE

The Group generates its revenue from the design, survey and consultancy segment as well as the construction contracting segment where the Group provides services for infrastructure construction (in particular, urban rail transit). For the year ended 31 December 2020, the Group achieved a revenue of RMB9,985 million, representing an increase of RMB1,571 million or 18.67% compared to RMB8,414 million for last year. Such increase was mainly attributable to the steady increase in the Company's revenue driven by the Company's commitment to design and investment, the increment created by promoting the layout of the whole industrial chain of urban rail transit and the resource synergy, its great efforts to expand the business scope of design, survey and consultancy and the scheduled operation of Kunming line 4 in the second half of 2020.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

An analysis of revenue by segment is as follows:

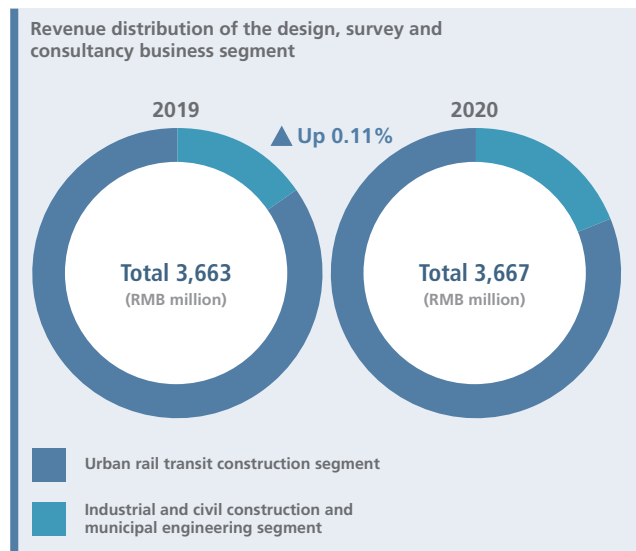
Products by industry	Year ended 31 December	
	2020	2019
	(RMB' 000)	(RMB' 000)
	(Audited)	(Audited)
Design, survey and consultancy	3,666,892	3,662,649
Construction contracting	6,317,999	4,751,390
Total	9,984,891	8,414,039

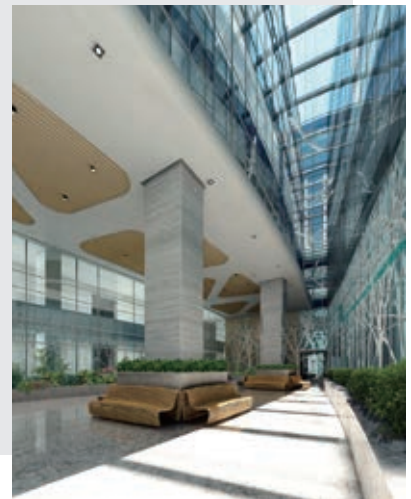
DESIGN, SURVEY AND CONSULTANCY BUSINESS SEGMENT

The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal engineering. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2020, the Group intensively developed existing markets by fully utilizing the technical advantages in the industry, consolidated its dominant status in urban rail transit design, properly performed existing contracts and focused on following up state-level new areas and third-tier and fourth-tier cities, and expanded its business into dozens of new cities, and improved the influence of its urban construction brand. The Group introduced the general network design for the first time in a comprehensive and all-round manner and initiated a new model of urban rail transit. Meanwhile, the Group branched out into the new business of express ways and entered the new market of snow-covered plateau. In 2020, we won the bids and contracted for a total of 7 overall design projects of urban rail transit in Chongqing, Xi'an, Xiongan, Xuzhou and other cities, continuously maintaining the leading position in the industry.

For the year ended 31 December 2020, revenue of the design, survey and consultancy segment of the Group amounted to RMB3,667 million, representing an increase of RMB4 million or 0.11% compared to RMB3,663 million for the corresponding period in 2019. Among which, the revenue of the urban rail transit construction

segment amounted to RMB2,808 million, representing a decrease of RMB194 million or 6.46% compared to RMB3,002 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal engineering segment amounted to RMB859 million, representing an increase of RMB198 million or 29.95% compared to RMB661 million for the corresponding period of last year.





CONSTRUCTION CONTRACTING BUSINESS SEGMENT

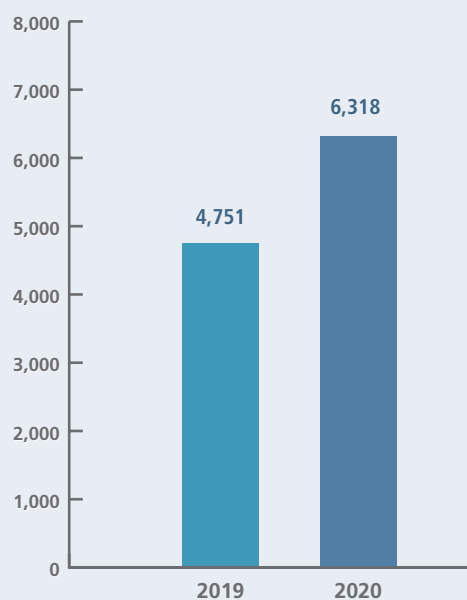
The construction contracting business segment of the Group focuses on the services for urban rail transit construction projects and relevant infrastructure construction projects. The construction contracting projects undertaken by the Group covered cities including Beijing, Kunming, Zunyi, Suzhou, Zhengzhou and Huangshan.



For the year ended 31 December 2020, the Group's revenue from the construction contracting business segment was RMB6,318 million, representing an increase of RMB1,567 million or 32.98% compared to RMB4,751 million for the corresponding period of last year. Such increase was mainly attributable to the scheduled operation of Kunming line 4 and the commencement construction volume of the projects under construction such as Guangzhou line 10 and Nanjing-Jurong line as compared to the corresponding period of last year.



Revenue from the construction contracting business segment (RMB Million)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

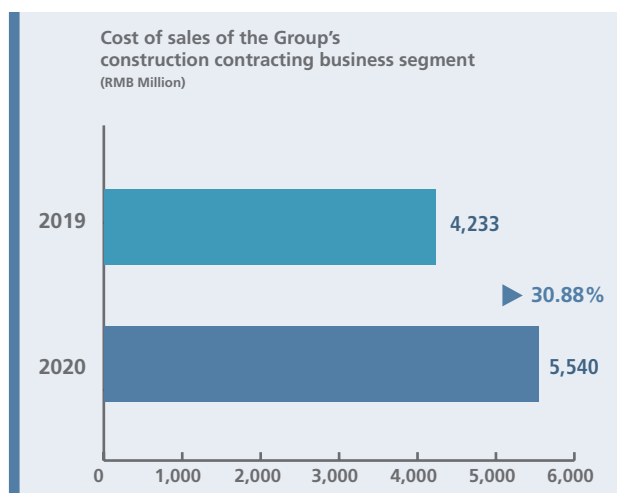
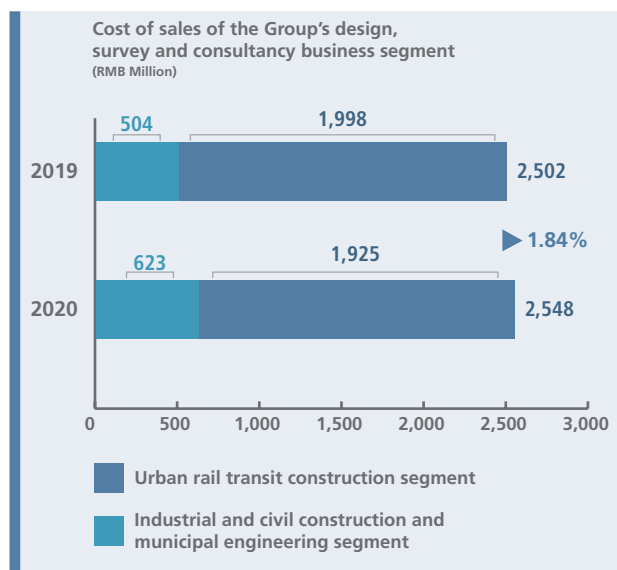
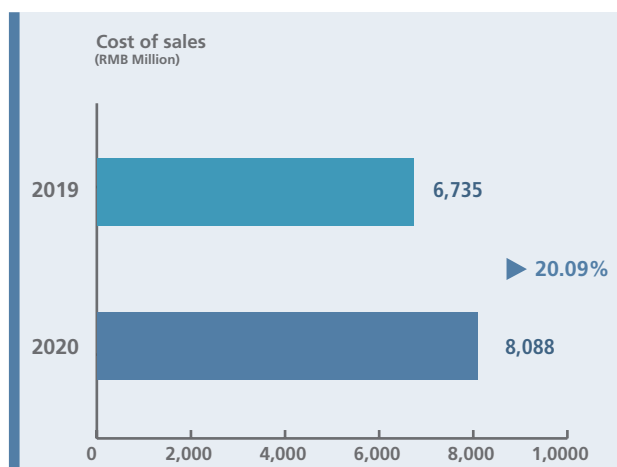


COST OF SALES

For the year ended 31 December 2020, the cost of sales incurred by the Group was RMB8,088 million, representing an increase of RMB1,353 million or 20.09%, while an increase of 18.67% in revenue, compared to RMB6,735 million for the corresponding period of last year. Such increase was mainly attributable to the increased costs resulting from the rising proportion of engineering contracting with lower gross profits for the current year.

For the year ended 31 December 2020, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,548 million for the year from RMB2,502 million for the corresponding period of last year, representing an increase of 1.84%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment decreased to RMB1,925 million for the year from RMB1,998 million for the corresponding period of last year, representing a decrease of 3.65%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment increased to RMB623 million for the year from RMB504 million for the corresponding period of last year, representing an increase of 23.61%.

For the year ended 31 December 2020, the cost of sales of the Group's construction contracting segment increased to RMB5,540 million for the year from RMB4,233 million for the corresponding period of last year, representing an increase of 30.88%, lower than the increase of 32.98% in revenue.





GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2020, the gross profit of the Group was RMB1,897 million, representing an increase of RMB218 million or 12.98% compared to RMB1,679 million for the corresponding period of last year, while the consolidated gross margin of 19.95% slightly decreased to 19.00%.

The gross profit of design, survey and consultancy segment decreased to RMB1,119 million for the current year from RMB1,161 million for the corresponding period of last year, representing an decrease of RMB42 million or 3.62%. The gross margin was 30.52%, which was basically equal to that of the corresponding period of last year. The gross profit of the construction contracting segment increased from RMB518 million for the corresponding period of last year to RMB778 million for the current year, representing an increase of RMB260 million or 50.19%. The gross margin increased from 10.90% for the corresponding period of last year to 12.31% for the current year, which was mainly attributable to the increased proportion of the revenue generating from PPP engineering projects with higher gross margin in construction segment as compared to corresponding period of last year.

OTHER INCOME AND GAINS

For the year ended 31 December 2020, other income and gains of the Group were RMB404.66 million, representing an increase of RMB21.74 million or 5.68% compared to RMB382.92 million for the corresponding period of last year, which was mainly attributable to the increase in the interest income of PPP projects.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2020, selling and distribution expenses of the Group were RMB78.78 million, representing an increase of RMB5.63 million or 7.70% compared to RMB73.15 million for the corresponding period of last year. The increase in selling and distribution expenses was mainly attributable to the business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2020, administrative expenses of the Group were RMB843.74 million, representing an increase of RMB16.20 million or 1.96% compared to RMB827.54 million for the corresponding period of last year. Such increase was mainly attributable to the increase of RMB25.48 million in management fees as a result of business expansion in 2020 and the decrease of RMB9.28 million in research and development expenditure.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

For the year ended 31 December 2020, the impairment losses on financial and contract assets of the Group amounted to RMB289.04 million, representing an increase of RMB113.40 million or 64.56% as compared to RMB175.64 million for the corresponding period of last year, mainly due to the increase in receivables and impairment losses on contract assets.

OTHER EXPENSES

For the year ended 31 December 2020, other expenses of the Group were RMB16.77 million, representing an increase of RMB15.03 million compared to RMB1.74 million for the corresponding period of last year. Such increase was mainly attributable to the losses of foreign currency exchange.

FINANCE COSTS

For the year ended 31 December 2020, finance costs of the Group were RMB245.96 million, representing an increase of RMB13.90 million or 5.99% compared to RMB232.06 million for the corresponding period of last year, which was mainly attributable to the increase in interest expenses due to the long-term borrowings of subsidiaries of the Group, namely, Huangshan Jingjian Capital Construction Investment Co., Ltd. (黃山京建投投資建設有限公司).

INCOME TAX EXPENSE

For the year ended 31 December 2020, the income tax expense of the Group was RMB106.84 million, representing an increase of RMB2.50 million or 2.40% as compared to RMB104.34 million for the corresponding period of last year. Such increase was mainly attributable to the increase in profit before tax.

PROFIT FOR THE YEAR

For the year ended 31 December 2020, the profit of the Group for the year was RMB808 million, representing an increase of RMB142 million or 21.32% compared to RMB666 million for the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOWS

The table below sets forth the cash flows of the Group for the indicated periods:

	Year ended 31 December	
	2020	2019
	(RMB' 000)	(RMB' 000)
	(Audited)	(Audited)
Net cash inflows from operating activities	734,988	1,420,570
Net cash outflows from investing activities	(942,481)	(1,259,287)
Net cash outflows from financing activities	(127,391)	(174,647)
Net decrease in cash and cash equivalents	(334,884)	(13,364)

The net cash inflows from operating activities in 2020 was RMB735 million, which was mainly attributable to the fact that the operating receipts exceeded operating payments during the year. The net cash outflows from investing activities was RMB942 million, which was mainly attributable to the increased investment of RMB487 million to joint ventures and an expenditure of RMB397 million for acquisition of fixed assets and intangible assets. The net cash outflows from financing activities was RMB127 million, which was mainly due to the receipt of long-term bank borrowings of RMB611 million for PPP projects of Huangshan Jingjian Capital Construction Investment Co., Ltd., the repayment of borrowings and interest expenses of approximately RMB604 million and the payment of dividends to Shareholders of approximately RMB175 million for the year.

PLEDGE OF ASSETS

For the year ended 31 December 2020, the financial receivables of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 31 December 2020, the net pledged receivables were RMB6,390 million (as at 31 December 2019: RMB5,591 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2020, there are no significant contingent liabilities of the Group.

CAPITAL COMMITMENT

The capital commitment of the Group as at 31 December 2020 and 31 December 2019 were as follows:

	31 December 2020	31 December 2019
	(RMB' 000)	(RMB' 000)
	(Audited)	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	13,362	221,665
Equity investments	2,617,582	3,657,648

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The equity capital of the Group mainly comprises Domestic Shares and H Shares. Indebtedness capital mainly consists of bank and other borrowings. In addition, ordinary business operation also provides the Group with source of funding. As of 31 December 2020, the net current assets of the Group were RMB1,865 million, among which cash and cash equivalents amounted to RMB3,534 million. The liquidity of the Group was sound and healthy and the Group had adequate cash and available banking facilities to satisfy its operating needs.

As of 31 December 2020, the Group's interest-bearing borrowings were RMB5,300 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 31 December 2020 divided by the total equity as at 31 December 2020) was 92.21%.

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 31 December 2020 and 31 December 2019. The Group generally settles the borrowings on time.

	31 December 2020 (RMB' 000) (Audited)	31 December 2019 (RMB' 000) (Audited)
Bank borrowings		
Pledged	4,611,766	4,225,173
Non-pledged	110,689	118,958
Other borrowings		
Non-pledged	578,000	578,000
	5,300,455	4,922,131

As at 31 December 2020, the Group's borrowings were denominated in RMB with interest rates ranging from 3.915% to 5.22%. The borrowings includes both fixed interest rate borrowings and floating interest rate borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The table below sets forth the maturity of the Group's debts as at 31 December 2020 and 31 December 2019:

	31 December 2020 (RMB' 000) (Audited)	31 December 2019 (RMB' 000) (Audited)
Within one year	475,032	491,654
Between one to two years	333,000	478,000
Between two to three years	353,000	458,000
Between three to four years	544,000	478,000
Between four to five years	520,000	474,000
Over five years	3,075,423	2,542,477
Total	5,300,455	4,922,131

EXCHANGE RATE RISK

The business operations of the Group are mainly in China with most of its transactions settled in RMB. The assets and liabilities and transactions from operations of the Group that involve exchange rate risk are mainly related to U.S. dollars and HK dollars. The Directors of the Company believe that the exchange rate risk of the Group is low and will not have a material and adverse impact on the financial position of the Group.

EVENT AFTER THE BALANCE SHEET DATE

The Group has no significant events after the balance sheet date.

COMPANY-WIDE MANAGEMENT MEASURES IN 2021

2021 marks the first year of the "14th Five-Year Plan" period and celebrates the 100th anniversary of the founding of CPC. China's economy enters a new development state. In response to that, the Company will seize fresh opportunities brought by the new national infrastructure and focus on the development philosophy "leading by design, industrial collaboration and innovation driven" by further expanding design consulting, strengthening engineering general contracting, and actively expanding new business. We will promote the high-quality development of the Design & Development Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company's specific management measures in 2021 include the following five areas:

1. Expanding design consultation to solidify the foundation for development

The Group will make fast response to the latest development of rail transit industry to keep its leadership in the industry by greater efforts in both metro and urban/intercity railway to accelerate business upgrading for larger business coverage. The Group will increase R&D inputs in survey with the aim of shaping a double-driven engine of traditional survey and smart engineering to maintain its leadership. For civil construction and municipal designs, the Group will be well positioned to grab the opportunities presented by the national urban upgrading and branch into new business for differentiated development, with the focus on the promotion of urban upgrading, civil and military integration, urban EPC project cluster, cultural innovation design and cultural and travel products and other potential markets. The member enterprises should give priority to fresh development by focusing on excellent and competitive products.

2. Strengthening engineering general contracting to enhance scale support

The Group will improve core metro business. To that end, we will market by contracts to shape golden project managers. This will help us tap into regional markets and expand the influence of urban rail construction brands and secure sustained orders. Meanwhile, we will expand our special business by increasing the market share of trams. We, committed to "go out" strategy, will continue expanding big regions, customers and projects to steadily develop new business. We, in line with the requirements "full coverage, zero tolerance and emphasis on effect" and "secret investigation system", will continue to carry forward the risk-grading management and troubleshooting of danger risks using informationized measures to eradicate workshop accidents and ensure the safe, efficient and quality performance of contracts for the project in progress.

3. Focusing on business innovation to develop fresh growth drivers

We will improve financing capacity and make possible the market innovation model like EPC+F; We will focus on "Jinglongyun", middle and small-volume urban rail transit systems and low-voltage integration market to tap into fresh business opportunities and promote the marketing of new types of light-rail trains; Using the mature R&D system and innovative work patterns, we will stretch the industrial collaboration strengths to give priority to derivative industries and the high-efficiency transformation of innovation results. We will standardize the operation management of Kunming line 4 and make possible its digital transformation. We will shape the sample standardization cases of urban rail transit in "investment, construction and operation" to promote the greater stride of urban rail transit operation.

4. Improve innovation driving and innovate development

We will improve innovation management, incentive mechanism for scientific research personnel and work out new industrial policies to stress resource sharing and concentrate innovative power. We will develop a knowledge management system in an in-depth manner to promote the management that is structured, scenario-based and smart. Based on the innovation platform featuring “one station, one room and eight centers”, we will, concentrating on new types of traffic technology and equipment, environmental protection, operating transformation and upgrading and digital products, upgrade 2G Jinlongyun product so as to promote smart design, detection and operation and maintenance and other product R&D promotion. This will acceleration fruit incubation and help leading enterprises’ innovative development.

5. Support greater stride by continuous management upgrading

The Company will announce its “14th Five-Year Plan”, promote the organizational reform and improve the commanding capacity of the headquarters. This will help improve enterprise in both quality and efficiency by commitment to the special program (i.e. reducing leverage, receivables, inventory appropriation fund and costs, and mitigating losses for high-quality development). We will manage market value and obey listing rules by maintaining relationship with investors. We will focus on industrial collaboration and performance orientation. That means we must strengthen capital management and refine the operation settlement for better self-operation capacities of virtual legal entities. We will strengthen efforts in the compliance management system so as to the full integration of internal risk control compliance management system with the business. We will have in place a guidance system based on the BIM positive design process and focus on business process to upgrading the enterprise informatization platform. We will continue working on industrial media to voice more for enterprises. Meanwhile, we will make industrial forums and important conference a success to enhance the industrial right to say and influence.

2021 marks the first year of the “14th Five-Year Plan” period and celebrates the 100th anniversary of the founding of CPC as well as the significant year in which the Company makes the leapfrog development. Confronting the new challenges impose by profound changes in domestic and international environments and increasingly severe market competitions, the Company, committed to the general thoughts and development goal in the period, will seize fresh opportunities brought by the new national infrastructure and focus on the development philosophy “leading by design, industrial collaboration and innovation driven” by further expanding design consulting, strengthening engineering general contracting, and actively expanding new business. We will, with great determination and ambition, run against every single second to live up to our youth and promote the high-quality development of the Group!

BID WINNING

In 2020, with changes to the policy of urban rail transit development in China, the Company expanded the market across the entire rail transit industry chain by leveraging industry advantages and its technical strength. As of 31 December 2020, the Company has won a bid of RMB10.327 billion. Among them, the design, survey and consultancy business segment won the bid of RMB4.967 billion, the engineering contracting business won the bid of RMB5.360 billion. At the end of the Reporting Period, the contract amount in hand was RMB31.581 billion.

EMPLOYEES

As of December 31, 2020, the Group had approximately 4,389 employees, of which approximately 61.5% were employees at parent company and 38.5% were employees at subsidiaries. More than 54.0% of employees have served the Company for more than 5 years. The Company has 1 academician of the Chinese Academy of Engineering, 1 master of survey and design, 7 experts enjoying government subsidies, middle and senior professional and technical personnel accounted for 65.9% of the total employees, and college graduates and above accounted for 90.6% of the total employees. In 2020, in order to select high-quality talents, the Company carried out professional academic exchange activities with a number of key universities such as Southeast University and Tongji University and invited more than 20 key universities across the country to visit and exchange with us, and held onsite recruitment activities in such universities to recruit outstanding graduates. Meanwhile, the Company also committed to fully exploring the internal staffing potential through adopting the selection mechanism of “select personnel inside first, then outside” to address our demand for talents from social recruitment. The Company established and continuously improved the compensation incentive system according to the characteristics of each business segment of the Company.

In each year, the Company selects and rewards the employees who make remarkable annual achievements and outstanding performance. 2020 is the last year of the “13th Five-Year Plan”, faced with the unexpected outbreak of the COVID-19 pandemic and external pressure, the Company has possessed a bunch of conscientious, hard-working, aggressive and selfless employees. The Company selected 10 employees with outstanding performance as award winners and awarded them the 2020 President Incentive Bonus (院長獎勵基金), and selected 92 employees acting as role models and awarded them the 2020 Excellent Employees.

The Company attaches great emphasis to the staff development and cultivation. Staff training is conducted through our corporate university with the aims to establish a training system which adapts to the corporate development strategy and to build a learning organization. Staff is offered with both internal and external trainings. The Company focuses on industry frontiers, technological development, project management, management ability and general qualities. Apart from attending the training in person, staff can participate in training by means of remote online training, downloading video and mobile learning, so as to enable the employees in other cities or on trips to participate in training.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2020, upholding the construction goals of “inward + outward”, the Company focuses on the optimization and improvement of construction of the teacher system, the curriculum system and the platform system to promote the upgrading of strategy of the corporate university in an orderly manner.

The Company has provided customized courses taught by internal trainers, established online work files, and started the hierarchical appointment mechanism for star lecturers; the Company also focuses on more than 30 technical training exchanges towards owners and universities taking advantage of high-end talents of the expert committee. Jointly with the professional convener and functional management system, the Company publishes required and elective courses for technology and management majors; builds a project leader training course system covering three dimensions of professional skills, management knowledge and practical experience; optimizes the training mechanism for new employees and outstanding talents, and provides new employees with a “four-in-one” training program of orientation training, corporate university courses, expert training and mentorship; organizes and launches operation and management training for Directors, Supervisors and senior management as well as young cadres, and continues to emphasize and strengthen the management capacity training organization. During the epidemic, training work was carried out in an orderly manner. Through various channels such as live training platform and mobile learning platform, more than 200 online courses were uploaded centrally to help employees learn and improve. The construction of the platform system was continuously improved, the continuous development and upgrading of online learning platform functions was emphasized, and the second phase of the corporate university platform was updated and put online.

In cooperation with the development and utilization of the corporate university and the platform of the special committee, the Company has realized 30 expert lecture training sessions, established 300 required company-level courses, completed 5 training sessions for compound project leaders, carried out 165 activities and programs of the special committee, conducted 16 technical exchanges towards owners and universities, trained more than 150 young and middle-aged backbones. The online management platform of the special committee and corporate university was upgraded.

MARKET LANDSCAPE AND BUSINESS OUTLOOK

INTELLIGENCE BECOMES A NEW TREND IN THE DEVELOPMENT OF THE RAIL TRANSIT INDUSTRY, WHILE RAIL TRANSIT BOOSTS THE DEVELOPMENT OF THE METROPOLITAN CIRCLE

At the meeting of the Standing Committee of the Political Bureau of the CPC Central Committee held on 4 March 2020, the Committee announced to accelerate the progress of new infrastructures (“**New Infrastructure**”) projects such as 5G networks and data centers, and the General Secretary Xi Jinping gave specific instruction and directions in respect of “New Infrastructure”. The local governments of various provinces (autonomous regions, centrally administered municipalities) have rolled out large-scale investment plans. Based on the major investment projects for the year 2020 announced by the local governments, construction of urban rail transit projects dominates such plans, demonstrating a concentration on development of smart city and smart transportation. Construction of urban rail transit projects with an investment amount of over RMB10 trillion will gradually commence in 31 provinces. Under the backdrop of “New Infrastructure”, the rail transit industry in China will usher in new development opportunities.

On 12 March 2020, the China Association of Metros (中國城市軌道交通協會) officially issued the Development Outline of Smart Urban Rail Transit. Based on the goal of building a strong transportation nation, the Development Outline puts forward the guiding ideology of the construction of smart urban rail transit, elaborates the signs and connotations of smart urban rail transit, describes the blueprint of “1811” for the construction of smart urban rail transit, specifies the overall goal to be achieved in “two steps” and 10 specific objectives, and deploys the priorities and implementation paths for the construction of smart urban rail transit. The Development Outline is a guiding document for the construction of smart urban rail transit in the urban rail transit industry of China.

On 17 December 2020, the General Office of the State Council forwarded the Opinions on Promoting the Accelerated Development of Urban (Suburban) Railways in the Metropolitan Circle 《關於推動都市圈市域(郊)鐵路加快發展意見》 issued by the NDRC. The Opinions clarify the functional status and technical standard of “urban (suburban) railways”, explore a new market-oriented investment and financing model of urban (suburban) railways, fully relax restrictions on market access, cultivate diversified investment entities, and promote the construction of urban (suburban) railways in the metropolitan circle in an orderly fashion. The opinions provide powerful support for improving the integrated urban transportation system, optimizing the functional layout of large cities, and leading the development of the modern metropolitan circle.

RAIL TRANSIT BUSINESS SEGMENT

2020 was the final year for completing the 13th Five-Year Plan. According to the China Association of Metros (中國城市軌道交通協會), there was an additional 1,241.99 km of urban rail transit operating lines in 2020, which hit a record new high. During the “13th Five-Year Plan” period, an average of 872 km of new operating lines were opened to traffic annually. The length of new urban rail transit operating lines in the five years exceeds the cumulative total length of those opened to traffic before the “13th Five-Year Plan” period. In 2020, the NDRC approved a new round of urban rail transit construction planning in four cities of Xuzhou, Hefei, Jinan, and Ningbo. The total length of the newly approved construction planning lines was 455.36 km, with a total investment of RMB336.423 billion. In addition, the adjustment to the construction planning scheme of four cities of Xiamen, Shenzhen, Fuzhou, and Nanchang was made, and the newly added lines involved in this adjustment were 132.59 km long, with an additional investment of RMB134.563 billion. Urban rail transit lines involved in the new projects were all subways.

The construction of the “national engineering laboratories for green and safe construction technologies of urban rail transit” led by the Company has been advancing at a moderate pace. Besides, the site selection of rural laboratory base has been initially determined and the Company has commenced to roll out construction proposals on the laboratory base. The Company obtained the “underground infrastructure multi-dimensional online automatic detection and intelligent identification technology (地下基礎設施多維度在線自動監測與智能辨識技術)” under the special subject of the “internet of things and smart city (物聯網與智慧城市)” and the “big data-based urban intermodal transportation system simulation structure and supporting technology (基於大數據的城市多模式交通系統仿真架構及支撐技術)” under the special subject of “integrated transportation and smart transportation (綜合交通運輸與智能交通)” of national key research and development programs of the Ministry of Science and Technology.

MARKET LANDSCAPE AND BUSINESS OUTLOOK (CONTINUED)

PPP

2020 was the starting year for continuing to regulate and adjust PPP with the focus on high-quality development. Affected by the COVID-19 and the economic situation, the market showed a downward trend at the beginning of 2020. In later periods, as breakthroughs were made in the prevention and control of the COVID-19, the resumption of work and production was accelerated, and the national economic development strategy was adjusted, the PPP market showed increasingly steady trends. With a series of measures taken such as eliminating the impact of the pandemic, recovering the economy and driving investment, the PPP market ushered in new development opportunities. According to data from the China Public-Private Partnerships Center of the MOF, as of the end of October 2020, there were an accumulative 9,870 projects with an investment of RMB15.2 trillion in the management database, PPP remained an important component in the field of infrastructure investment and financing, and the net quantity of projects in the database was still on the rise with the quality of PPP projects steadily improved. The introduction of the Operation Guidelines for the Performance Management of Public-Private Partnership Projects (PPP) 《政府和社會資本合作(PPP)項目績效管理操作指引》 (Cai Jin [2020] No. 13) has laid a solid framework foundation for PPP project performance management, and will further enhance the refined management of PPP projects under high-quality development.

2021 was the first year of the country's 14th Five-Year Plan. With the implementation of the national strategy of "stabilizing growth and ensuring people's livelihood" and other strategies and under the impetus of the "dual cycle" new economic pattern, in light of the New Infrastructure layout, the first batch of publicly offered Reits projects were implemented, PPP project performance management was reinforced, and the professionalism and the awareness of performance of all parties involved in PPP projects were strengthened. All this provided a broader prospect for the PPP model.

EPC (ENGINEERING PROCUREMENT CONSTRUCTION)

The MOHURD issued the 13th Five-Year Plan of the Development of Construction Industry 《建築業發展“十三五”規劃》 (“**13th Five-Year Plan**”), which clearly took the adjustment and optimization of industrial structure as its major task during the period of the 13th Five-Year Plan. With engineering projects as the core, advanced technology applications as the means, and professional division of labor as the link, the Company built a reasonable project subcontracting relationship, established a project organization implementation mode with strong general contracting management, developed professional subcontracting, and flat organizational structure, and fostered a new organization structure of construction industry with comprehensive professions, reasonable distribution and fitting together of parts. In this industry background, the Company undertook a great number of EPC projects in many cities including Beijing, Anqing, Delingha, Sanya, Kunming, Huangshan, Ningbo and Chengdu, with the types of projects covering rail transit, municipal engineering and civil construction. The Company won the biddings for a series of engineering procurement construction projects (EPC) for the construction of new-type urbanization in Gao'an, Jiangxi province. This EPC project created the highest record in the single contract amount of EPC projects in the civil architecture business and started a new model for the project management and market expansion in the civil architecture business of the Company. In 2020, according to the survey and analysis of the tendering modes of rail transit projects in 24 cities, 21 of the cities adopted the general contract for construction of large section mode, accounting for 83%. The general contract for construction of large section mode became the mainstream tendering mode.

MARKET LANDSCAPE AND BUSINESS OUTLOOK (CONTINUED)

By leveraging on the advantages in human resources, material resources, financial resources and all kinds of social resources, the Company needed to focus on the mature marketing areas with the Beijing market as the primary target. The Company needed to push forward the sustainable development of the regional markets by paying close attention to the market dynamics and expanding the subsequent engineering projects.

Efforts were stepped up to develop trams. Starting from the new Qingdao Chengyang tram line, the Company fully utilized the successful experience of Chengyang and Delingha tram projects and increased efforts to track trams. By gaining support from various branches, the Company took advantage of the integrated design and construction to further expand the market share of trams.

INDUSTRIALISATION

As of the end of 2019, 15 cities formulated a new round of urban rail construction plans pending declaration. In addition to the urban rail transit construction cities with the state's approval and pending approval, intercity railways are the priority of urban rail transit construction during the 14th Five-Year Plan period. According to the information from the NDRC, the coordinated development of Beijing-Tianjin-Hebei region, the integrated development of the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing Region will be the focus of the new round of intercity construction.

With the thorough implementation of new infrastructure practices, innovation of construction mode and product application driven by 5G, cloud computing, artificial intelligence and other emerging technologies will bring strong power to the industry development. The Company proposes the solution of integrating the low-voltage power for the urban rail traffic, starting from design and considering the entire life cycle development benefits and function extension of metro construction and operation, so as to reconstruct a normal form of innovation for the modern urban rail transit construction. Through a set of self-developed urban rail transit integrated automation system (CRIAS) based on cloud platform, the Company can save construction land, reduce operation personnel, open up data access channels, and maximize the mobilization of the enabling value of urban rail assets. Meanwhile, the Company takes into account the ecological construction environment of the metro supply chain, and creates a new model of safe, convenient, efficient, green and economic construction and operation, which is a beneficial attempt to implement the new infrastructure model in the rail transit industry. In 2020, the Company has realized 2 sets of CRIAS applications in Kunming Metro Line 4 and Taiyuan Metro Line 2, which is the largest scale of application of results since the Company has been vigorously developing industrialization, and it is the first time in the industry to realize the application of full-scene and full low-voltage power system integration. CRIAS, through standardized data interface and micro-service module, can be compatible with products of different manufacturers to the largest extent, which provides a complete set of solutions for industry users to choose cloud platform under different construction demand scenarios, and provides a good reference for the high-quality development of China's urban rail transit.

MARKET LANDSCAPE AND BUSINESS OUTLOOK (CONTINUED)

URBAN AND RURAL PLANNING AND ARCHITECTURAL CREATION

With the opportunity of the 2022 Winter Olympic Games and the 100th anniversary of the founding of the Party, there will be more major projects of great influence to be implemented. The Company will grasp the advantages of BUCG, and work together in the fields of urban development, landscaping and architectural design consultation in Beijing, Tianjin, Hebei, Yangtze River Delta and Chengdu-Chongqing economic regions. With the implementation of strategies such as building a national-level free trade zone, we have opened up new markets for planning and design in Chengdu, Chongqing, Hainan and other places. While performing the existing urban and rural planning projects, we have striven to undertake various large-scale urban master plans, and actively expanded in cultural tourism planning and various special planning business areas. In line with the new policy and the adjustment of the urban master planning of Beijing, we have continued to work on the service of major projects, such as East Huangshan International Town and Beijing Yunmengshan Cultural and Tourism Resort.

We have continued to expand into new areas and new businesses. Firstly, we have deeply developed the market of special small town business; secondly, in the context of Beijing's decommissioning of non-capital functions, we have seized the urban renewal business and the planning of "back streets and lanes" to make significant breakthroughs in the field of urban renewal business; thirdly, we have combined the national strategy of "rural revitalization" to proactively invest in the construction of beautiful countryside by undertaking a number of rural planning and design projects; fourthly, we have extended our service chain in the traditional planning businesses, and undertook the general consultancy work while doing a good job in planning and design, which have promoted the implementation of the annual key projects in Beijing. We have seized the new requirements of urban development in Beijing under the new situation, explored new models of urban renewal, seized the market of urban renewal projects, promoted the construction and operation of urban renewal projects in Beijing, and made the existing construction and operation projects a new cultural landmark in Beijing.

DEVELOPMENT OF INTEGRATED URBAN SPACE (TOD)

The National New Urbanization Plan (國家新型城鎮化規劃) has expressly recommended the priority development of public transportation, unified coordination and planning of city space functional layout and the promotion of appropriate mix of city land functions. Construction of rail transit-oriented intensive urban space is an important method to solve problems arising from the current rapid urbanization and also the main direction of development of cities, particularly large or medium size cities. Meanwhile, multi-functional communities, green transit, intensive land utilization mode and the diversity of spatial forms are integral components of green biological urban area and smart city. In recent years, the development of rail transit-oriented integrated urban space has continued to expand, in particular, the development of car yard cover and underground space has grown significantly. These development projects are featured by diversified functions, large construction scale and many aspects involving management, and the Company just has expertise on the design and management of these projects. The comprehensive utilization project of Dongxiaoying yard section of Beijing subway line 6 undertaken by the Company completed the construction and acceptance. The Company also won the bidding of the top-head development of the project. The project makes innovations in planning and design concept and engineering technology and is an outstanding representative of projects of the same type in China.

MARKET LANDSCAPE AND BUSINESS OUTLOOK (CONTINUED)

National Urban System Plan (2006-2020) 《全國城鎮體系規劃(2006-2020年)》 points out to establish nationwide integrated transportation hub system, facilitate the efficient linkage among various transportation methods, and enhance the outreaching benefits of city centres to the surrounding areas. In the Summary of the 13th Five-Year Plan for the National Economy and Social Development 《國民經濟和社會發展第十三個五年規劃綱要》, it is stated that the government will construct a high-efficient integrated transportation system that connects domestic and international transportations and widely reaches various districts between urban and rural areas with comprehensive functions as a hub as well as integrating transportation and services in accordance with the principle of networking layout, intelligent management, integrated services and green development during the period of the 13th Five-Year Plan. The design of the integrated transportation hub as a special unit is expanding and staying in the advanced design level in China. Based on hub design, the integrated transportation hub wins integrated development projects through transportation hub to seize TOD design market.

In May 2018, NDRC, MONR, MOHURD and China Railway Corporation jointly issued the Guidelines on Promoting the Development and Construction of the Surrounding Areas of High-speed Railway Stations 《關於推進高鐵站周邊區域合理開發建設的指導意見》, which requires to strengthen planning coordination and integration, control the financial and local government debt risks, follow the rules of urbanization development, and promote the development and construction of the surrounding areas of high-speed railway stations in a regulated and orderly manner according to local conditions, so as to promote the positive interaction and synergetic coordination between high-speed railway construction and city development. In terms of development and construction of the surrounding areas of high-speed railway stations, prominence needed to be given to the integration of industry and city, the integration of station and city, and the rational division with urban built-up areas. Such development and construction should be planned and pushed forward in a coordinated way with the urban function layout, construction of the integrated urban transportation system, and infrastructure construction and sharing. The new people-oriented concept of urbanization development needed to be applied to the surrounding areas of high-speed railway stations where supporting places and facilities including medical, education, leisure, and entertainment places and facilities shall be provided.

WATER ENVIRONMENT BUSINESS

In 2019, the Central Committee of the Communist Party of China and the State Council printed and issued the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area 《粵港澳大灣區發展規劃綱要》. It specifies that Guangdong-Hong Kong-Macao Greater Bay Area shall be a strong champion of the philosophy featuring that lucid waters and lush mountains are invaluable assets by implementing the most stringent ecological environment project system.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Wang Hanjun (王漢軍), aged 56, is an executive Director, general manager and deputy party secretary of the Company. He has been the president, deputy party secretary and Director of the Company (the predecessor of which is Beijing Urban Construction Design & Research Institute) since May 2011 and was appointed as an executive Director and general manager of the Company on 28 October 2013. Mr. Wang worked for the First Branch of Beijing Urban Construction No. 3 Corporation (北京城建三公司一分公司), which is primarily engaged in engineering construction, from July 1988 to March 1994. He was the manager of Second Project Department of Beijing Urban Construction Yatai Co., Ltd. (北京城建亞泰公司) from March 1994 to December 1994, and was the deputy manager of Beijing Urban Construction Yatai Construction and Engineering Co., Limited (北京城建亞泰建設工程有限公司), which is primarily engaged in engineering construction, from December 1994 to November 2003. Between November 2003 and August 2004, he served as a director, deputy chairman, manager and deputy party secretary of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司). He was a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) from August 2004 to October 2004, and concurrently acted as director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited, and director and chairman of the board of Beijing Donghu Real Estate Co. (北京市東湖房地產公司), which is primarily engaged in real estate development, from October 2004 to May 2006. He continued to act as a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited from May 2006 to October 2007. From October 2007 to December 2007, he held the position of manager of Beijing Urban Construction Xincheng Investment & Development Co., Limited (北京城建新城投資開發有限公司), a subsidiary wholly-owned by BUCG primarily engaged in real estate investment. Then he worked as its manager and director from December 2007 to July 2012. Mr. Wang graduated from Tsinghua University with a bachelor's degree of engineering in water resources and hydropower engineering and construction in July 1988. Mr. Wang was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2015 and obtained the qualification of grade-one constructor from the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) in February 2005.

As at the date of this report, Mr. Wang holds 48,000 H Shares and 1,000,000 Domestic Shares in the Key Employee Stock Ownership Scheme.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Li Guoqing (李國慶), aged 54, is an executive Director, deputy general manager and party secretary of the Company. Mr. Li has been working for the Company since July 1990. He held the position of the secretary of Youth League Committee (團委書記) of the Company from April 1993 to August 1998 and was the vice president of Metro and General Municipal Institute (地鐵市政院) of the Company from August 1998 to September 1999. He worked as the vice president of the Company from September 1999 to March 2001, and was the party secretary and vice president of the Company from March 2001 to November 2002. He has been the party secretary, vice president and Director of the Company since November 2002, during which he also held the position of general manager in China Metro Engineering Consulting Co., Ltd., which is primarily engaged in engineering consultancy, between September 2006 and May 2012. Mr. Li obtained a bachelor's degree in engineering majoring in heating, ventilation and air conditioning from Tsinghua University in July 1990. He obtained a master's degree and a doctor's degree of engineering both majoring in heating, gas, ventilation and air conditioning engineering from Tianjin University in March 2009 and June 2012, respectively. He was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2005. He obtained his certificate of PRC registered utility engineer (中國註冊公用設備工程師) from the Ministry of Housing and Urban-Rural Development in October 2010. Mr. Li was a representative of the 15th and 16th People's Congress of Xicheng District, Beijing.

As at the date of this report, Mr. Li holds 48,000 H Shares and 1,000,000 Domestic Shares in the Key Employee Stock Ownership Scheme.

Non-executive Director

Mr. Pei Hongwei (裴宏偉), aged 54, is the chairman and a non-executive Director of the Company, and currently the director, general manager, deputy secretary of Party committee of Beijing Urban Construction Group Co., Ltd. Mr. Pei was appointed as non-executive Director and chairman of the Company since December 2019. Mr. Pei had successively served as the cadre of Beijing-Shijiazhuang Highway Administration Institute of Beijing Highway Bureau (北京市公路局京石公路管理所) and assistant to the head of mechanized line from August 1989 to November 1993. He worked successively as the deputy head of mechanized engineering line, assistant to the chief, assistant to the chief and head of management division and deputy chief (section level) of Beijing-Shijiazhuang Division of Beijing Highway Bureau (北京市公路局京石分局) from November 1993 to August 2000; successively served as the deputy director and director of preliminary work department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司) from August 2000 to April 2006; the assistant to the general manager of Beijing Road and Bridge Construction Corporation (北京市公路橋樑建設公司) from April 2006 to January 2007. He successively served as the director and general manager of Beijing Road and Bridge Construction Group Co., Ltd. (北京公路橋樑建設集團有限公司) from January 2007 to June 2007, and successively served as the director and general manager of Beijing Municipal Road and Bridge Construction Holding (Group) Co., Ltd. (北京市政路橋建設控股(集團)有限公司) from June 2007 to November 2011. He successively served as the general manager, vice chairman and chairman of Beijing Municipal Road and Bridge Group Co., Ltd. (北京市政路橋集團有限公司) from November 2011 to November 2019. He served as the director, general manager and deputy secretary of Party committee of Beijing Urban Construction Group Co., Ltd. since November 2019. Mr. Pei graduated from the Department of Civil Engineering of Southeast University (東南大學) majoring in highway and urban roads engineering in August 1989, and graduated from the Faculty of Architecture Engineering at Beijing University of Technology (北京工業大學) with a master's degree of engineering in transportation planning and management in June 2002. Mr. Pei was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in September 1999 and obtained the qualification of grade-one constructor from Beijing Municipal Bureau of Personnel (北京市人事局) in April 2006.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Tang Shuchang (湯舒暢), aged 60, is a non-executive Director of the Company, and the assistant to the general manager of Beijing Urban Construction Group Co., Ltd. Mr. Tang was appointed as non-executive Director of the Company since November 2014. Mr. Tang worked as an assistant to the logistics department in Army 00092 of Infrastructural Engineering Brigade (基建工程兵零零零九二部隊) from December 1978 to July 1983; the officer of the finance division of Beijing Urban Construction No. 4 Corporation (北京城建四公司) from August 1983 to April 1991; the cost accountant of the finance department of Beijing Urban Construction Engineering Corporation from April 1991 to June 1995; the deputy head of the asset department of BUCG from June 1995 to June 1998; he has been the head of the capital management department of BUCG from June 1998 to August 2016; an assistant to the general manager of BUCG since March 2011; the supervisor and chairman of the board of supervisors of Beijing Urban Construction Investment Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) since July 2002. Mr. Tang graduated from Central College of Finance and Economics (中央財經學院) majoring in infrastructure finance and credit in July 1988; he was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 1999.

Ms. Wu Donghui (吳東慧), aged 51, is a non-executive Director of the Company and the assistant to the general manager of Beijing Urban Construction Group Co., Ltd. Ms. Wu was appointed as non-executive Director of the Company since August 2018. Ms. Wu served as a budget clerk of the infrastructure division of Beijing Lianjiao Chemistry Factory (北京煉焦化學廠) from August 1991 to July 1993. She served as a member of the budget division of Beijing Urban Construction No. 3 Corporation (北京城建三公司) from July 1993 to May 1994. She served as a member of the budget division of Beijing Urban Construction Yatai Co., Ltd. (北京城建亞泰公司) from May 1994 to July 1997. She successively served as member of the operating division of engineering contracting department, member of the marketing department, deputy chief project economist, deputy head of the bidding division of engineering department, deputy manager and chief economist of the construction engineering general contracting department and head of the corporate management department of BUCG from July 1997 to March 2011; the deputy chief economist and the director of the enterprise management division of BUCG from March 2011 to January 2018; the deputy chief economist of BUCG from January 2018 to July 2018. She has served the current positions since August 2018. Ms. Wu obtained a bachelor's degree of engineering majoring in infrastructure management engineering from Tianjin University (天津大學) in July 1991, obtained a master's degree in economics from Central University of Finance and Economics (中央財經大學) majoring in national economics in March 2001 and obtained a master's degree in business administration from Guanghua School of Management of Peking University (北京大學光華管理學院) in July 2011. Ms. Wu was qualified as a professional senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會) in May 2018, obtained the qualification of cost engineer of Ministry of Housing and Urban-Rural Development in October 1997, obtained the qualification of corporate legal advisor of Ministry of Justice in October 2011 and obtained the qualification of certified public valuer of MOF in September 2013.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Guan Jifa (關繼發), aged 55, is a non-executive Director, and is the deputy general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司). Mr. Guan was appointed as non-executive Director of the Company since January 2016. From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Province Metallurgical Design and Planning Institute (黑龍江省冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban Construction No. 3 Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd. (北京京創投資有限公司) from January 2008 to March 2010. He has successively served as the general manager, assistant to the general manager and deputy general manager of the land development business department of Beijing Infrastructure Investment Co., Ltd. since March 2010. He has been a non-executive director of BII Railway Transportation Technology Holdings Company Limited (a company listed on Hong Kong Stock Exchange, Stock Code: 1522) since October 2015. He has been the secretary of the Party committee and the chairman of Beijing Railway Traffic Technology Equipment Group Co., Ltd. (北京軌道交通技術裝備集團有限公司) since July 2017. He has served as the chairman of Suzhou Huaqi Intelligent Technology Co., Ltd. since February 2019. He has also served as the chairman of Shanghai Oriental Maritime Affairs Engineering Technology Co., Ltd. since December 2020. Mr. Guan obtained a bachelor's degree majoring in mining engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1987. From August 1992 to June 1994, he studied at Northern Jiaotong University (北方交通大學), majoring in railway engineering. From April 2002 to July 2004, he took an MBA course at University of International Business and Economics in China (對外經濟貿易大學) through on-the-job learning. In January 2009, he obtained a doctorate degree majoring in civil engineering construction and management from Xi'an University of Architecture and Technology (西安建築科技大學). Mr. Guan was awarded a senior engineer qualification by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999. Mr. Guan was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2019.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Ren Yuhang (任宇航), aged 45, is a non-executive Director of the Company, and the secretary of the board of directors (ranked as assistant to general manager) and general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Ren was appointed as non-executive Director of the Company since August 2018. Mr. Ren served as an engineer, a league officer and a cadre of the organization department of Henan Electric Thermal Power No.1 Company (河南省電力公司火電一公司) from July 1996 to September 2003. He served as the project manager of assets operation department of Beijing Infrastructure Investment Co., Ltd. from March 2008 to December 2009; served as secretary to the general manager of Beijing Infrastructure Investment Co., Ltd. from December 2009 to March 2011; served as assistant to the manager of the assets management department of Beijing Infrastructure Investment Co., Ltd. from March 2011 to October 2011; served as the deputy manager of the finance planning department of Beijing Infrastructure Investment Co., Ltd. from October 2011 to August 2013; served as deputy manager of the finance planning department (person-in-charge) of Beijing Infrastructure Investment Co., Ltd. from August 2013 to August 2014; general manager of finance planning department of Beijing Infrastructure Investment Co., Ltd. from August 2014 to December 2016. He has served as the general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. since January 2017. He has acted as the secretary of the board of directors (ranked as assistant to general manager) and general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. since January 2019. He has served as the chairman of Cornerstone International Financial Leasing Co., Ltd. since October 2014. He has served as a non-executive director of BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司) (a company listed on the Hong Kong Stock Exchange, Stock Code: 1522) since February 2017. He has served as the chairman and general manager of Beijing Cornerstone Capital Management Co., Ltd. since March 2017. He has served as a director of Traffic Control Technology Co., Ltd. (交控科技股份有限公司) (a company listed on the science and technology innovation board, stock code: 688015) since March 2017. He has served as the chairman of Beijing Jiuzhou First Rail Environmental Technology Co., Ltd. (北京九州一軌環境科技股份有限公司) since November 2017. He has served as the vice chairman of Shaoxing Jingyue Metro Co., Ltd. (紹興京越地鐵有限公司) since May 2019. He has served as the executive director and general manager of Beijing Jingtou Investment Holding Co., Ltd. (北京京投投資控股有限公司) since November 2019. He has served as a director of Capital Securities Co., Ltd. since September 2020. He has served as the chairman of Beijing Cornerstone Sensing Information Service Co., Ltd. (北京基石傳感信息服務有限公司) since October 2020. He has served as the executive director of Beijing Jingtou Fund Management Co., Ltd. (北京京投基金管理有限公司) since October 2020. Mr. Ren obtained a bachelor's degree majoring in thermal energy and power engineering from the department of thermal energy and power engineering of Wuhan University (武漢大學) in July 1996 and obtained a doctorate degree majoring in corporate management from School of Economics and Management of Beijing Institute of Technology (北京理工大學經管學院) in March 2008. Mr. Ren was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2011.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Su Bin (蘇斌), aged 54, is a non-executive Director of the Company, and the deputy general manager of Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) (“MTR Corporation”). Mr. Su was appointed as non-executive Director of the Company since October 2013. Mr. Su has been serving at the Ministry of Railways and in charge of the technical and management work for several years since July 1988. He acted as the chairman and secretary of the Party Committee of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the “No. 3 China Railway”) from October 2001 to February 2003, the deputy supervisor and chief engineer of Beijing headquarters of the No.3 China Railway from February 2003 to July 2003, and the supervisor of Jijie-Mongolia highway construction headquarters of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at MTR Corporation from December 2003 to May 2008 and successively served as the executive deputy general manager of Beijing Metro Line 4 project management office, the general manager of Beijing Metro Line 5 project management office, and the secretary of Beijing Metro Line 10 project management office. Mr. Su has been the deputy general manager of MTR Corporation since May 2008. Mr. Su obtained his bachelor’s degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master’s degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a professor-level senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2006.

Mr. Wang Tao (汪濤), aged 44, is a non-executive Director of the Company. He is the head of the Finance Department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司). Mr. Wang was appointed as non-executive Director of the Company since October 2020. Since July 1999, Mr. Wang has been working for Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司), which is principally engaged in the construction and management of urban roads and facilities. He has successively served as the chief financial officer of a wholly-owned subsidiary, Beijing Gonglian Anda Parking Management Co., Ltd. (北京公聯安達停車管理有限責任公司), the chief financial officer of a wholly-owned subsidiary, Beijing Gonglian Jieda Highway Maintenance Engineering Co., Ltd. (北京公聯潔達公路養護工程有限責任公司), the director of the fund settlement centre of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司) and the head of the finance department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司). Mr. Wang graduated from Nanjing University of Economics, majoring in investment economics, with a bachelor’s degree in economics in June 1999; and graduated from Xi’an University of Technology, majoring in business administration, with a master’s degree in business administration in January 2013. Mr. Wang was recognised as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in May 2010 and obtained the qualification of grade-one cost engineer in October 2018.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Ren Chong (任崇), aged 46, is a non-executive Director of the Company, and the general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. (北京忠誠恒興投資管理有限公司) and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren served as a Supervisor of the Company from October 2013 to August 2018 and was appointed as non-executive Director of the Company since August 2018. Mr. Ren started to work in 1996, and he has more than ten years of industrial investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture investment, from March 2008 to June 2009, the project manager of Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), which is primarily engaged in investment management, from July 2009 to February 2012, the executive deputy general manager and general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. (北京忠誠恒興投資管理有限公司), which is primarily engaged in investment management business, and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)), which is primarily engaged in non-securities investment, investment management and consultancy since March 2012. Mr. Ren obtained a bachelor's degree of engineering majoring in metal material and processing from Central South University of Technology (中南工業大學) in June 1996 and a master's degree of management majoring in enterprise management from Nankai University (南開大學) in June 2004.

Independent non-executive Directors

Mr. Wang Guofeng (王國鋒), aged 63, is an independent non-executive Director of the Company. He worked in the aeronautical survey team and the aeronautical survey and computer office of the Second Highway Survey and Design Institute (第二公路勘察設計院航測隊、航測電算室) under the Ministry of Communications from 1982 to 1986; he served as the deputy section chief and section chief of the personnel division, director of the Organisation Department of the Party Committee, deputy secretary of the Party Committee and senior engineer of the Second Highway Survey and Design Institute (第二公路勘察設計院) under the Ministry of Communications from 1986 to 1997; deputy director of Wuhan Municipal Transportation Committee (武漢市交通委員會) from 1997 to 1999; secretary of the Party Committee, chairman and general manager of China Highway Consulting Group Co., Ltd. (中國公路諮詢集團有限公司), as well as director of the R&D Centre of Spatial Information Application and Disaster Prevention Technology for the Transportation Industry (交通運輸行業空間信息應用與防災技術研發中心) from 1999 to 2016; deputy chief engineer of China Communications Construction Company Limited and chairman of China Communications Railway Design and Research Institute Co., Ltd. (中交鐵道設計研究總院有限公司) from 2016 to January 2018; and consultant of China Highway Engineering Consulting Corporations (中國公路工程諮詢集團有限公司) from January 2018 to November 2018. Mr. Wang Guofeng was appointed as independent non-executive Director of the Company since October 2020. Mr. Wang Guofeng received a bachelor's degree in engineering from Wuhan Technical University of Surveying and Mapping in 1982; a master's degree in economics from Huazhong University of Science and Technology in 1996; and a doctorate degree in management engineering from Beijing University of Technology in 2006. Mr. Wang Guofeng was recognized as a researcher by the Specialised Technique Qualification Evaluation Committee of the State Bureau of Surveying and Mapping in September 2004, and a professor-level senior engineer by the Specialised Technique Qualification Evaluation Committee of China Communications Construction Group in August 2009. He received a practising certificate as a registered consulting (investment) engineer from the Development and Reform Commission in August 2003, a practising certificate as a registered constructor (Class A) from the Ministry of Housing and Urban-Rural Development in April 2008, a practising certificate as a registered surveyor from the National Administration of Surveying, Mapping & Geoinformation in March 2009, and a practising certificate as a national registered civil engineer from Ministry of Human Resources and Social Security in April 2011.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Ma Xufei (馬旭飛), aged 48, an independent non-executive Director of the Company, currently serves as a long-term hired professor and tutor for doctoral students in the Department of Innovation, Entrepreneurship and Strategy of the School of Economics and Management of Tsinghua University and students majoring in Innovation Management in the Tsinghua Shenzhen International Graduate School. Mr. Ma was appointed as independent non-executive Director of the Company since December 2019. Mr. Ma obtained a bachelor's degree in engineering from the School of Management of Xi'an Jiaotong University in 1995 and then worked in Sinochem Corporation (中國中化集團) from 1995 to 2001. Mr. Ma obtained an MBA degree from the School of Business of University of Saskatchewan in Canada in 2003, and obtained a doctoral degree from the Department of Business Policy of the College of Business of National University of Singapore in 2007. Mr. Ma taught at the Department of Management of the College of Business of Chinese University of Hong Kong from 2007 to 2018 and served as a tenure-track faculty member, and acted as the director of the Entrepreneurship Research Center and International Business Research Center of Chinese University of Hong Kong. From 2018 to 2020, he taught at the Department of Management of the College of Business of City University of Hong Kong as a professor (tenure). Mr. Ma obtained his qualification approval from the China Banking Regulatory Commission Shaanxi Office in 2016, and has been acting as an independent director of Western Trust Co., Ltd. (西部信託有限公司) since 2016.

Mr. Sun Maozhu (孫茂竹), aged 61, is an independent non-executive Director of the Company. Mr. Sun was appointed as independent non-executive Director of the Company since December 2013. He obtained a bachelor's degree of economics majoring in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree of economics majoring in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr. Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by China Securities Regulatory Commission and School of Economics & Management of Tsinghua University (清華大學經濟管理學院), and obtained the qualification certificate of independent directors in June 2002 and currently serves as a director for Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司). Mr. Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 53, is an independent non-executive Director of the Company. Mr. Liang was appointed as independent non-executive Director of the Company since December 2013. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the Research Centre on Transport and Environment of the School of Civil Engineering of Beijing Jiaotong University. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor degree of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master's degree of science in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctorate degree of engineering in civil structural engineering from Dalian University of Technology. In December 1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Northern Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the Rail Transit Branch of China Civil Engineering Society. In December 2002, Mr. Liang obtained the qualification of Senior Teachers of Higher Education from Beijing Municipal Commission of Education (北京市教育委員會).

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Qin Guisheng (覃桂生), aged 63, an independent non-executive Director of the Company, currently serves as the partner lawyer of Zhongkai & Partners Attorneys at Law (北京市中凱律師事務所). Mr. Qin was appointed as independent non-executive Director of the Company since August 2018. He worked in the General Office of the Ministry of Justice for a long period of time after July 1986, serving as a secretary at the deputy director level and at the director level, engaged in research and secretarial work. After entering Zhongkai & Partners Attorneys at Law in February 1996, he has successively served as a lawyer, partner lawyer and principal lawyer. He served as the principal lawyer of Zhongkai & Partners Attorneys at Law from 2010 to February 2019. He served as an independent director of Beijing Wangfujing Department Store (Group) Co., Ltd. (北京王府井百貨(集團)股份有限公司) from May 2010 to April 2013, and has served as an independent director of Guizhou Tyre Co., Ltd. (貴州輪胎股份有限公司) since 2015. Mr. Qin graduated from Northwest University of Political Science and Law in Shaanxi Province (陝西省西北政法學院) in 1983 with a bachelor's degree in law. He graduated from Graduate School of China University of Political Science and Law in Beijing (北京中國政法大學研究生院) in 1986 with a master's degree in law. He is currently the vice president of Beijing Quality and Technology Supervision Law Application Association (北京市質量技術監督法應用協會).

SUPERVISORS

Mr. Hu Shengjie (胡聖傑), aged 48, is a Supervisor of the Company and the chairman of the Board of Supervisors, and currently the head of the Department of Board Secretary of Beijing Urban Construction Group Co., Ltd. Mr. Hu was appointed as Supervisor of the Company and the chairman of the Board of Supervisors since December 2019. Mr. Hu served as an employee in the publicity department of Beijing Urban Construction Road and Bridge Group Co., Ltd. (北京城建道橋公司) from July 1995 to December 1996, a newspaper reporter of Beijing Urban Construction Group Co., Ltd. from December 1996 to October 2003, and an office staff of the National Stadium project department of BUCG from October 2003 to September 2004. Mr. Hu has successively served as an employee in the publicity department, an employee and deputy director in the manager's office, and the head of the Department of Board Secretary of BUCG since September 2004. Mr. Hu graduated from Renmin University of China (中國人民大學) in July 1995 with a bachelor degree, majoring in Chinese Linguistic Literature. Mr. Hu studied in the Law School of Renmin University of China for master's degree in law from September 1999 to July 2002, and obtained the national legal professional qualification certificate in 2002. He was qualified as a senior administration engineer by Office of the Leading Group of Qualification Conference of Ideological and Political Works of the Organization Department of Beijing Municipal Committee (北京市委組織部思想政治工作專業職務評定工作領導小組辦公室) in 2008.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Ms. Nie Kun (聶崑), aged 50, is a Supervisor of the Company, and the first chairman of the supervisory committee of Beijing Urban Construction Group Co., Ltd. Ms. Nie was appointed as the Supervisor of the Company since October 2013. Ms. Nie was engaged in accounting work in the Fifth Branch of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from July 1992 to March 1996. She was the chief officer of the Fifth Branch of the Second Beijing Urban Construction Engineering Company Limited from March 1996 to March 1997. She was a staff of the audit department of the Second Beijing Urban Construction Engineering Company Limited from March 1997 to October 1999; a staff of the finance department of BUCG Xinye Company from October 1999 to April 2000. Since April 2000, she has served as a staff of the first unit of the audit department, a deputy head of the audit and investigation department, the head of the finance department and the first chairman of the supervisory committee of BUCG. She obtained a bachelor's degree of economics in investment economic management from the Central Institute of Finance (中央財政金融學院) in June 1992. She obtained a professional accountant certification from the Beijing Municipal Bureau of Finance (北京市財政局) in September 1995, and was recognised as a qualified internal auditor by China Association of Internal Audit (中國內部審計協會) in December 2003. She was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in January 2005. She became a non-practicing member of Chinese Institute of Certified Public Accountants in September 2010.

Mr. Liang Wangnan (梁望南), aged 47, is a Supervisor of the Company, and currently the general manager of the second fund investment department of State-owned Capital Operation and Management Center of Beijing. Mr. Liang was appointed as the Supervisor of the Company since December 2019. Mr. Liang acted as a cadre of Beijing Grain Group Co., Ltd. (北京糧食集團) from August 1996 to March 2003, a cadre of the commerce and trade work committee of Beijing Municipal Committee (北京市委商貿工委) from March 2003 to November 2003, a cadre of State-owned Assets Supervision and Administration Commission of The People's Government of Beijing Municipality from November 2003 to May 2009, and has been working in the State-owned Capital Operation and Management Center of Beijing since May 2009, acting successively as the deputy general manager and general manager of the human resources department, the general manager of the human resources department and deputy general manager (in charge) of the fund investment department, general manager (department head) of the human resources department (organization department) and deputy general manager (in charge) of the fund investment department, general manager of the fund investment department and general manager of the second fund investment department. Mr. Liang obtained a bachelor's degree in engineering from the Department of Electronics of Heilongjiang Commercial College (黑龍江商學院) in August 1996, majoring in computer application.

Mr. Chen Rui (陳瑞), aged 47, is a Supervisor of the Company, and the managing director of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司). Mr. Chen was appointed as the Supervisor of the Company since October 2013. Mr. Chen served as an engineer for Shenzhen Lingke Electronic Communication Appliances Co., Ltd. (深圳市靈科電訊器材有限公司), which is primarily engaged in development and production of electronic communication appliances, from February 1998 to May 1999. From June 1999 to November 2002, he worked as the engineer, the manager and the vice general manager of the engineering technical department of Shenzhen Linker Industrial Co., Ltd. (深圳菱科實業有限公司), which is primarily engaged in research, development and production of numbering machines. He has successively served as an investment manager, vice president of investment, director, executive director, head and managing director of the Shenzhen office of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司), which is primarily engaged in venture capital business, from February 2005 up to present. Mr. Chen obtained a bachelor's degree of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Ms. Yang Huiju (楊卉菊), aged 51, is an employee representative Supervisor of the Company and the chief technology officer of the Xi'an branch of the Company. Ms. Yang has worked as the designer of the Company and then as the deputy chief engineer of the Xi'an branch of the Company since July 1993. Ms. Yang obtained a bachelor's degree of environmental engineering from Beijing Institute of Light Industry (北京輕工業學院) in July 1993. She was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in October 2004.

Mr. Liu Hao (劉皓), aged 40, is an employee representative Supervisor of the Company and the deputy chief engineer of the Xiamen branch of the Company. Mr. Liu has worked successively as the designer, the director of driving station office and then as the deputy chief engineer of the Xiamen branch of the Company since July 2002. In July 2002, Mr. Liu graduated from Xi'an University of Architecture and Technology with a bachelor's degree in general plan design and transportation engineering. In July 2009, he obtained a master's degree in engineering through further education in the traffic engineering graduate class of Beijing Jiaotong University (北京交通大學). He was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in 2013.

Mr. Ban Jianbo (班健波), aged 33, is an employee representative Supervisor of the Company and the specialist in legal affairs and internal audit of the legal audit department of the Company. Mr. Ban has worked successively as the legal specialist of the enterprise management division of the Company and then as the specialist in legal affairs and internal audit of the legal audit department of the Company since July 2012. Mr. Ban obtained a bachelor's degree of laws from Southwest University of Political Science and Law (西南政法大學) in July 2009, then obtained a master of economic law from Southwest University of Political Science and Law in June 2012. He was granted with legal professional qualification by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in March 2011 and was qualified as an intermediate economist in business administration in November 2013.

Mr. Zuo Chuanchang (左傳長), aged 55, is an independent Supervisor of the Company. Mr. Zuo was appointed as the independent Supervisor of the Company since March 2014. Mr. Zuo worked on project management and investment research in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted securities research in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. He was a post-doctorate jointly trained by Institute of Economics of Chinese Academy of Social Science (中國社會科學研究院經濟研究所) and Guangdong Fenghua Advanced Technology (廣東風華高科) from October 1999 to December 2001. He took up the role as a deputy researcher for Academy of Economic Research of NDRC from December 2001 to March 2005. He was a deputy head and the head of the Macroeconomic Research Institute of the NDRC (國家發改委宏觀經濟研究院), and a researcher of the Economic Research Institute of the NDRC since March 2005. From September 2014 to June 2016, he has been the vice president of Institute of Scientific Research of Tsinghua University (清華大學科研院) and concurrently acts as the distinguished research fellow of Institute of Industrial Innovation and Finance in Tsinghua University (清華大學產業創新與金融研究院). Mr. Zuo was awarded a bachelor's degree in engineering from Tsinghua University in July 1988, specializing in water conservancy and hydropower engineering construction. He was awarded a doctorate degree in economics by the Postgraduate School of Chinese Academy of Social Sciences in June 1998, specializing in investment economics.

OTHER SENIOR MANAGEMENT

Ms. Cheng Yan (成硯), aged 46, is a deputy general manager of the Company. Ms. Cheng was the project manager of the Planning and Design Division of Engineering Department of the Organizing Committee for the Beijing Olympic Games (BOCOG) from July 2002 to March 2005. She served as the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005. She took up the role as a deputy head and subsequently the head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy director of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008). She was an assistant to the general manager of BUCG from February 2008 to 14 April 2014. Ms. Cheng served as a vice president of the Company from January 2009 to December 2013. Ms. Cheng has acted as a deputy general manager of the Company since 16 December 2013. Ms. Cheng obtained a bachelor's degree majoring in architecture at Tsinghua University in July 1997. She was a doctoral candidate jointly educated by School of Architecture of Tsinghua University and School of Design of Harvard University from September 2000 to May 2001, and obtained a doctor's degree of engineering majoring in architectural design and theory from Tsinghua University in July 2002. Ms. Cheng was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in August 2010.

Mr. Jin Huai (金淮), aged 56, is a deputy general manager of the Company, and concurrently the president of Beijing Rail Transit Design & Research Institute Co., Ltd. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992. He served as the manager of the technical office, the assistant to the president and the chief engineer of Beijing Urban Construction Exploration & Surveying Institute from May 1992 to November 2000. Mr. Jin acted as the chief engineer of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計院有限責任公司) from December 2000 to May 2003. He was the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006. He served as the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from March 2005 to 21 October 2014. He took the role as the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute from 14 March 2008 to 21 October 2014. He was the deputy president of the Company from May 2003 to December 2013. He has been serving as the president of Beijing Rail Transit Design & Research Institute Co., Ltd. since 23 July 2014. Since 16 December 2013, Mr. Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering majoring in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985. Mr. Jin obtained a master's degree of science majoring in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Liang (王良), aged 55, is a deputy general manager of the Company and the general manager of the Construction Contracting Department of the Company. Mr. Wang acted as an assistant engineer, an engineer, the vice president, the president, the deputy director and the director of the Ministry of Railways Design Institute from July 1986 to March 2000. He also acted as the manager of the Shield Project Management Department of Shield Basis Branch and the assistant branch manager of BUCG from March 2000 to March 2004; the deputy chief engineer and the assistant manager of the construction contracting department of BUCG from March 2004 to June 2006; the deputy manager of construction contracting of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction contracting department of BUCG in October 2012. In December 2012, the rail transit construction contracting department of BUCG was restructured and consolidated into the Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr. Wang has been serving as a deputy general manager of the Company and he has been the general manager of the Construction Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the grade-one constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Yu Songwei (于松偉), aged 55, is a deputy manager of the Company. Mr. Yu worked as a designer in the Subway Design & Research Laboratory (地鐵設計研究所) of Beijing Urban Construction Engineering Design Institute (北京市城市建設工程設計院) from July 1987 to May 1996; a chief electrical engineer in the Equipment Design Division (設備設計科) of Beijing Urban Construction Engineering Design Institute from May 1996 to September 1998; the deputy chief engineer of Beijing Urban Construction Engineering Design & Research Institute (北京市城建工程設計研究院) and the president of its Equipment Design Division from September 1998 to February 2002; the deputy chief engineer of Beijing Urban Construction Design & Research Institute and the president of its Electrical Design Division from February 2002 to February 2003; the deputy chief engineer of Beijing Urban Construction Design & Research Institute Co., Ltd. from March 2003 to February 2006; the deputy president of the Rail Transit Design & Research Institute (軌道交通設計研究院) of Beijing Urban Construction Engineering Design & Research Institute Co., Ltd. from February 2006 to August 2012. He has been the president of the Rail Transit Design & Research Institute of Beijing Urban Construction Design & Development Group Co., Limited since August 2012 and has been acting as the deputy general manager of the Company since June 2016. Mr. Yu obtained a bachelor's degree in railway electrification and a master's degree in electrical engineering from Southwest Jiaotong University in July 1987 and June 2007, respectively. In September 2002, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會).

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Ma Haizhi (馬海志), aged 53, served as the deputy general manager of the Company, the chairman and the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司). He served as the project supervisor, squad leader, deputy captain and deputy director of the survey team of Beijing Urban Construction Surveying and Mapping Institute from July 1989 to March 2001; served as the director of the surveying engineering department, assistant to the dean, executive associate dean, dean, deputy secretary of the Party Committee, secretary of the Party Committee and chairman of the Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) from April 2001 to May 2016. He has served as the chairman and secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) since May 2016. Ma Haizhi graduated from Beijing University of Civil Engineering and Architecture in July 1989 with a bachelor's degree in engineering survey and obtained an executive master of business administration (EMBA) from the Tsinghua University School of Economics and Management in July 2008. Ma Haizhi was recognized as a professor-level senior engineer by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2007.

Mr. Yin Zhiguo (尹志國), aged 45, served as the deputy general manager of the Company and the general manager of Beijing Urban Infrastructure Construction Investment Management Co., Ltd. (北京城建基礎設施投資管理有限公司). He successively served as operating director and project chief economist of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from August 1999 to December 2002, served as executive deputy director of marketing department and director of bidding and quotation department of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from January 2003 to February 2004, served as director of operation management department, deputy chief economist of the company and director of group investment risk management committee of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from March 2004 to August 2013. And he has served as assistant to general manager and director of investment and financing department of Beijing Urban Construction Design & Development Group Co., Limited, and general manager of Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. (北京城建基礎設施投資基金管理有限公司) since September 2013. Yin Zhiguo graduated from the Department of Civil Engineering of Northeast Forestry University with a bachelor's degree in Architectural Engineering in July 1999. He graduated as in-service graduate student in Transportation Engineering from the Department of Civil Engineering of Northeast Forestry University in January 2008. Yin Zhiguo obtained the qualification of national first-level construction engineer from Ministry of Construction in January 2008. He was recognized as a senior engineer by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in July 2011 and was selected as the first batch of PPP double-bank experts of the National Development and Reform Commission and the MOF in 2015.

Mr. Yang Xiuren (楊秀仁), aged 56, is the Chief Engineer of the Company and a National Engineering Survey and Design Master. Mr. Yang was an assistant engineer of the Bridge and Tunnel Department of No. 3 Survey Institute (第三勘察設計院) under the Ministry of Railway from July 1986 to December 1991; an engineer and the chief engineer of the Fourth Design Studio of Beijing Urban Construction Design and Research Institute from January 1992 to January 1996; the head of the Technical Department, the deputy chief engineer and the deputy president and chief engineer from January 1996 to May 2003; and has been the Chief Engineer of the Company since May 2003. Mr. Yang obtained a bachelor's degree of engineering majoring in tunnel and underground railway from Southwest Jiaotong University. Mr. Yang was qualified as a professor-level senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2003, and was honoured as the National Master of Engineering Survey and Design (全國工程勘察設計大師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 30 December 2016.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Xiao Mujun (肖木軍), aged 53, is the chief accountant of the Company. Mr. Xiao worked in No. 5 Urban Construction Company (城建五公司), in which he served successively as the project cashier, accountant, financial controller, project operating deputy manager of project operation and the deputy manager of the financial department from July 1993 to August 2001. He worked in Beijing Urban Construction Investment Development Co., Limited from August 2001 to August 2006, during which he acted as the person-in-charge of finance of the preparatory group for Beijing Urban Construction's Chongqing International Convention & Exhibition Center project from August 2001 to June 2002; a staff member of the audit department of Beijing Urban Construction Investment Development Co., Limited from June 2002 to June 2004; the financial director of Beijing CCID Info Tech Inc. from June 2004 to August 2006. He acted as the manager of the financial department, the deputy chief accountant and the manager of financial department and the deputy general manager of Beijing Urban Real Estate Exploitation Co., Ltd. from August 2006 to May 2009, from May 2009 to October 2012 and from October 2012 to May 2016, respectively. Mr. Xiao has been the chief accountant of the Company since June 2016. Mr. Xiao graduated from China Agricultural University majoring in land planning and utilization in July 1993. In June 2019, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Liu Li (劉立), aged 54, is the chief economist of the Company. Mr. Liu was a designer of the structure department of the Beijing Urban Construction Design Institute (北京城建設計院) from July 1990 to October 1996; the deputy general manager of Beijing Chengrong Waterproof Material Co., Ltd. (北京城融防水材料有限公司) from October 1996 to October 1998; the head of operating department and the assistant to president of Beijing Urban Construction and Design Institute (北京城建建築設計院) from October 1998 to December 2002; the head of operating department and the assistant to president of Beijing Urban Construction Design & Research Institute from December 2002 to September 2007; the vice president of the municipal department of Beijing Urban Construction Design & Research Institute from September 2007 to September 2009. Mr. Liu has been the deputy chief economist and the chief economist of the Company since September 2009. Mr. Liu graduated from Beijing University of Technology (北京工業大學) majoring in industrial and civil architecture in July 1990. Mr. Liu was qualified as an engineer by Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) in February 1995 and qualified as a senior administrator of business administration in June 2010.

Mr. Xuan Wenchang (玄文昌), aged 52, is the secretary of the Board of the Company. Mr. Xuan worked with the 4th department of the No. 3 China Railway from July 1990 to December 1992; acted as the project financial manager for the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from December 1992 to September 2000; acted as a manager under the Finance Department of Beiyuan Hotel of BUCG from September 2000 to September 2006; worked at Beijing Urban Construction Investment Management Company from September 2006 to April 2008 (during which acted as the chief financial officer for Beijing Haiya Jinyuan Environmental Protection Co., Ltd. from September 2006 to February 2008); has acted as the deputy chief accountant of the Company since June 2008; acted as the head of the Listing Preparation Office of the Company from August 2011 to October 2014; and acted as the secretary of the Board and company secretary of the Company since 16 December 2013. Mr. Xuan graduated in Finance and Accounting from Shanghai Railway Institute in July 1990, and obtained an executive master of business administration from Renmin University of China. In February 2007, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) and became a certified management accountant of the Institute of Certified Management Accountants in the U.S. in June 2013.



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents this report together with the audited financial statements of the Group for the year ended 31 December 2020.

BUSINESS REVIEW

Principal Business

The Group is principally engaged in the design, survey and consultancy businesses (mainly the provision of services for urban rail transit, industrial and civil construction and municipal engineering projects) and construction contracting business (mainly focusing on construction projects in the urban rail transit industry).

Operating Results and Financial Position

During the Reporting Period, in the face of the sudden outbreak of the COVID-19, the Company firmly carried out the deployment of the higher authorities, adhered to the principal development focus, vigorously grasped the prevention and control of the pandemic, promoted the resumption of production in an orderly manner, and steadily promoted the high-quality development of the enterprise. For the year ended 31 December 2020, the Company recorded revenue of RMB9,985 million, an increase of RMB1,571 million or 18.67% from the corresponding period of last year. In particular, revenue from the design, survey and consultancy business segment amounted to RMB3,667 million, and revenue from the construction general contracting business was RMB6,318 million.

The survey and design consultation sector of the Company expanded continuously. Our urban rail transit design business won the bids for a total of 7 overall design projects, including Chongqing Line 5 and Line 4 west extension, the Xiong'an-Beijing Daxing International Airport Express, Tram in Xi'an Hi-tech Industrial Development Zone, Xuzhou Line 4, Zhuzhou Autonomous Rail Rapid Transit and Changchun Line 1 south extension. After the completion of the Xiong'an-Daxing International Airport Express, the goal of reaching Daxing International Airport in "half an hour" and reaching Financial Street in "an hour" from Xiong'an New Area will be achieved. The sales volume of the Chongqing market broke through RMB1 billion, comprehensively introducing overall network design for the first time in China, creating a new mode of urban rail transit. The Company signed contracts of Shenzhen Line 6 and Line 13 engineering cost consultation, Zhengzhou urban railway network planning, civil air defense project for Changchun Line 6, etc. The scale of the survey business continuously enlarged. The amount of newly signed contract exceeded RMB1.6 billion, among which, rail transit survey business exceeded RMB800 million, stably ranking first in the domestic market. In the large railway survey market, the Company signed contracts of the Xinshuo Railway and Chuning Intercity Project; in the Xiong'an market, the sales volume exceeded RMB100 million; and the Academy of Intelligent Engineering maintained steady development, and the self-developed 3D laser scanning technology replaced manual inspections, winning wide recognition from the market. The new business of disaster environment restoration was expanded, and orders of RMB87 million were won in Beijing, Zhenjiang and other regions. The design of municipal and civil facilities went well. 53 projects under Gao'an Project were launched, realizing an amount of new contracts of over RMB69 million; in the military-civilian integration market, EPC projects of central troops

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

for orders of RMB40 million were contracted; projects such as the integrated transport hub project of the Beijing Municipal Administrative Center and the project of the National Pipe Network Center (國家官網中心) were obtained; the Company was selected as one of the consulting service units for the construction projects of the central state organs, laying a foundation for direct entrustment by the owners; as for the municipal business, the Company won a contract of RMB97 million for the comprehensive waterbody management in Beijing, Xiong'an, and Zhongshan; the Company expanded the new business of express way and entered the new market of snow-covered plateau; in the new cultural and creative field, the Company undertook the design of the exhibition hall of the 2020 CIFTIS (中國服貿會) and the exhibition design, helping to create a national large-scale exhibition and trading platform and further improving the influence of China's service trade in the world; and the Company signed contracts of Xicheng District urban renewal and the construction of Yubai Village Cultural Tourism, and gained new development in cultural and creative business.

In terms of the international business, the Company signed the contracts for the project of Columbia's Bogota Metro Line 1 and the Sri Lanka apartment and municipal project, with the contract amount of RMB50 million.

The Company insisted on improving the performance and marketing of the engineering general contracting. Contracts were signed for 13 projects, including O2 Section of Shaoxing Line 2 and integration of Gaoloujin Station of Beijing Line 7. The engineering contract amount of the construction of the Beijing Municipal Administrative Center and the Beijing urban green center project was nearly RMB1 billion.

The investment and financing business were promoted with high quality. Zhuzhou Autonomous Rail Rapid Transit is laid out for the light volume market, with a total investment of RMB700 million; Huangshan urban railway Line T1 obtained the planning approval at national level; and the industry synergy was driven by capital ties, helping to win a contract of RMB1.77 billion for the construction and mechanical and electrical installation of Shaoxing Line 1.

The industrialized business has been upgraded energetically. The Company has become the provider of the urban rail cloud solution raking first in China in terms of construction and opening performance; the first full-process consulting project in China – the Jiaxing tram contract amount was RMB26 million; and the Company won the contract for Guangzhou Tram with the amount of RMB41 million.

Operation management achieved a breakthrough of zero in metro operation. Kunming Line 4, the Company's first project of metro investment, construction and operation, was open to traffic for operation. As a social capital partner, the Company led the implementation of the project throughout its life cycle and all elements, opening a new era of metro operation of the Company.

During the Reporting Period, the Company has made significant achievements in scientific research and innovation. The World Horticultural Exposition project won the IFLA AAPME Award; the assembled vibration attenuation rail won the “Special Award” in the Science and Technology Progress and the First Prize in the Light Rail Transit Design Standards; the Jinlongyun System won the Special Prize in the innovation achievement; Phase I of the Daxing International Airport Line won the First Prize of National Excellent Engineering Consulting Achievement; Guangzhou Line 13 won the National Quality Engineering Award; the Central Yunnan Konggang Avenue won the Golden Award of Great Wall Cup; Cigezhuang Vehicle Section and Zunyi Fengxin Express Line won the Gold Award of China Steel Structure; and the 3D scanning inspection device won the first prize in the Guangdong Science and Technology Award.

In accordance with its own “13th Five-Year Plan” strategic development plan, the Company will speed up the coordinated development of full rail transit industry chain, and focus on its objective of “Becoming a Ten Billion Enterprise” (“百億企業”), and adhering to the corporate vision of “becoming an integrated service provider of urban construction directed by design”. The Company will also keep on expanding design and consultancy, and strengthen construction general contracting, so as to achieve a leapfrog development.

Financial Highlights and Discussion and Analysis of operating Results and Financial Position

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 5 of this report. Please refer to the section headed “Management Discussion and Analysis” of this report for the discussion and analysis of the operating results and financial position of the Company.

Major Risks and Uncertainties

Risks on Macro Policy

The fluctuation of national macro-economic policies, industrial policies and industrial planning will directly affect the development of the Company. In 2020, with the guidance of the relevant goals and measures, including the “dual-cycle” economic layout, accelerating the elimination of the pandemic impact, restoring the economic development, and promoting infrastructure investment, the state and all levels of government and other related entities relied on the start of “14th Five-Year Plan”, focused on the urban rail construction, and issued a series of policies to promote the development of urban rail transit in China. China Urban Rail Transit Association has given a new development outline for urban rail transit planning and construction, proposing to follow the “1-8-1-1” layout to be among the world’s advanced smart urban rail countries by 2025; and among the world’s advanced smart urban rail countries by 2035. The National Development and Reform Commission proposed “to achieve the effective connection between the airport and main line railways, intercity railways, urban (suburban) railways and urban rail transit, and to explore the mode of cooperation between the government and social capital”. The Ministry of Transport issued the Notice on Building the Office of the Ministry of Transport and Helping Transport Promote Consumption Expansion and Quality Improvement, proposed requirements of “accelerating the construction of urban transport infrastructure, and gradually forming the 1-hour commute to urban areas and 2-hour access among urban clusters”, which laid a solid foundation for the construction of a powerful country in transportation, pointed out the direction and put forward the requirements for the development of urban rail transit.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Countermeasures: the Company shall closely pay attention to the state's new economic policies, grasp multiple information on national politics, economy, industry, law and environment through proactive communication with related governmental authorities, and conduct research and estimates on market trends; dynamically adjust corporate development planning, constantly consolidate market position in the industry and explore innovative business model and fields through performing the strengths of the industry chain and synergy among industry segments, meanwhile, constantly optimize product structure to tackle the risks.

Exchange Rate Risks

The Company promotes its overseas business and strengthens overseas operating activities through continuously expanding its international market. Because of significant fluctuations in exchange rates, the Company may be subject to various risks including exchange trade risk arising from transactions denominated in foreign currencies as a result of the difference between the exchange rates on the day of transaction and the day of settlement; and risk of changes in value of overseas business due to fluctuations in exchange rate.

Countermeasures: the Company shall enhance the awareness of risk prevention in relevant staff of the Company, transform the operation ideas, and take initiatives to respond to various exchange rate risks; meanwhile, pay close attention to changes of domestic and overseas financial markets, and establish exchange rate risks prevention mechanism in each link.

Risks on Market Competitions

With slowdown in the development of urban rail transit market and the more fierce competition, industry leaders are facing more severe market competition. With such increasing fierce competition, if the Company fails to propose active market polices, it will face challenges regarding how to maintain the overall market share of core businesses, deal with sluggish development, and consolidate its leading position in the industry.

Countermeasures: the Company shall fully understand market information, timely follow up projects under tracking, well fulfill contracts of projects, focus on industry synergy, go to all lengths to open up the market, and further enhance its competitiveness, and expand the market size. The Company shall also focus on safety and quality, press ahead with major projects with high standards, and keep strengthening lean management and risk management. In addition, the Company shall enhance its scientific and technological strength in an all-round way, create an innovation-driven engine, and stimulate the driving force for innovation.

Future Development Prospects

The year 2021 is the first year of China's "14th Five-Year Plan" and a year of special importance in the process of China's modernization construction. Such first year is of fundamental significance to the new journey of China's comprehensive construction of a modern socialist country. Therefore, it is necessary to accurately grasp the characteristics of the new development stage, truly establish a new development pattern, and thoroughly carry out the new development concept, so as to ensure the fast and stable development of China's modernization process. As the country is facing the accelerated reconstruction and profound changes in the external environment, the "Proposals" approved by the Fifth Plenary Session of the 19th CPC Central Committee clearly proposed to insist on the core position of innovation in the whole area of China's modernization construction. The "insistence on innovation-driven development and comprehensive shaping of new development advantages" shall be placed at the first place of each planning task and shall be deployed specially and separately. Therefore, the Company actively responds, strives for progress while maintaining stability, and insists on playing a greater role in the field of urban rail transit and realizing greater value.

Guided by the national policies, the Company will lead the corporate to achieve a leapfrog development, improve corporate scale efficiency and development quality in all aspects, and continue to take advantage of technological innovation and its leading role in industries within traditional advantageous industries. It will make use of market resources to comprehensively promote the field-wide design, keep accelerating the internationalisation of design business, innovate design techniques, put new ideas into practice to create new design products, advance stable and long-term development of the investment and financing business by innovating investment and financing mode, explore asset-backed securitization, open up domestic and overseas financing channels, level up the scientific and technological strength, create innovation-driven engine, and cultivate the new capability for PPP operations. Ensure safety and quality, establish quality demonstration projects, strengthen technical quality management and continuously strengthen the management of the value of the whole industry chain, and enhance social influence in all aspects by focusing on promoting industry influence; Enhance project fulfillment to create a brand image. For the discussion on the future development of the business of the Company, please refer to the section headed "Management Discussion and Analysis" in this report.

Corporate Quality, Environmental and Occupational Health and Safety Policy and Performance

Based on GB/T19001-2016/ISO9001:2015 "Quality Management System Requirements", GB/T50430-2017 "Code for Quality Management of Engineering Construction Enterprises", GB/T24001-2016/ISO14001:2015 "Environmental Management System Requirements with Guidance for Use", GB/T28001-2011 /OHSAS18001:2007 "Occupational Health and Safety Management System Requirements" standards, the Company established quality, environmental and occupational health and safety management systems, covering the Company's engineering consulting, engineering design, general contracting of municipal public projects construction, general contracting of architecture engineering and other businesses. The Company attached importance to the three system management construction work to ensure that all projects within the scope of system certification are organized in strict accordance with the management system requirements and product quality meets the requirements and will steadily improve. The Company accepted and successfully passed the audit of the third party Beijing ZhongShe Certification Service Co., Ltd. every year, which fully affirms our management concept and management effectiveness.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

In 2020, the Company continued to monitor and analyze the internal and external environment, identify risks and grasp opportunities in response to the pandemic and changes in the external environment, and focus on innovation and leadership as well as system construction. There were no major quality and safety accidents, customers were satisfied with product quality, the Company conducted compliance evaluation in accordance with the compliance of environmental and occupational health and safety laws and regulations as required, and there were no violations of laws and regulations, or environmental pollution and occupational health accidents.

Compliance with Relevant Laws and Regulations of Major Concerns

The Company continue to adhere to the spirit of compliance operation in accordance with laws and regulations, and it strictly complies with various relevant laws and regulations of China, industry rules and the Hong Kong Listing Rules for the regulation of its operations. During the Reporting Period, there was no material breach of laws and provisions, and no penalty was imposed.

The Company continuously insists on performing its corporate and social responsibilities and attaches importance to occupational health and safety production management, and the GB/T28001-2011 (OHSAS8001:2007) occupational health and safety management system is running well. The Company improves the safety awareness and skills of practitioners through publicity and training. The Company improved the construction of safety management system, newly issued the Mandatory Regulations on Safety Management and Management System of Labor Protection Supplies, and amended the Emergency Rescue Plan for Production Safety Accidents, and supplemented the compendium of the Company's safety management system.

The Company launched various safety activities, including safety management business evaluation activities, model site observation activities, comprehensive emergency response drills for urban rail transit construction accidents and safety production seminars, so as to enhance the safety awareness of all staff and improve the construction management level.

During the Reporting Period, the Company had no production safety accidents.

Material Relationships between Employees, Clients and suppliers

As an intelligence-intensive enterprise, employees are the key to success for the Company. The Company takes efforts to provide a favorable working environment and has established a fair training and promotion system for its staff. It provides competitive remuneration and benefit package as well as various training programmes to continuously attract talents to serve for the Company, and provides a platform for its employees to display their talents.

The Company focuses on serving its customers and provides its customers with urban rail transit design general contracting services in respect of design, survey and consultancy business segments. As for the construction contracting business segment, customers are offered with urban rail transit construction general contracting services and services regarding construction, operation and delivery of municipal roads. The five largest customers in each of the segments of the Company are state-owned construction management companies, which have long-term good business and cooperation relationships with the Company. The five largest suppliers have good cooperation relationships with the Company and primarily provide professional sub-contracting services and machinery equipment for the rail transit construction contracting business for the Company. For relationships between the Company and major customers and suppliers, please refer to the section headed "Major Customers and Suppliers" below.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 110 to 111 of this report.

On 26 March 2021, the Board of Directors proposed the distribution of a final dividend of RMB0.1568 per Share (before applicable tax) for the year, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal for the payment of the final dividend is subject to the approval of Shareholders at the 2020 annual general meeting to be held on 28 May 2021. If approved, it is expected that dividend will be paid to the Shareholders whose names appear on the register of Shareholders of the Company dated 11 June 2021 before 30 July 2021.

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Friday, 28 May 2021 shall be entitled to attend and vote at this annual general meeting. Holders of H Shares who wish to attend and vote at this annual general meeting shall lodge all transfer documents accompanied by the relevant H Share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 24 May 2021 for registration.

The H Shares register of members of the Company will be closed from Sunday, 6 June 2021 to Friday, 11 June 2021 (both days inclusive). In order to be entitled to the final dividend, holders of H Shares of the Company must lodge all the transfer documents accompanied by the relevant H share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Friday, 4 June 2021.

In accordance with Article 163 of the Articles of Association, the dividend will be declared in RMB to the shareholders of the Company. The dividend payable to holders of Domestic Shares will be paid in RMB within three months after the dividend declaration date. The dividend payable to holders of H Shares will be paid in Hong Kong dollars within three months after the dividend declaration date. The amount to be paid in Hong Kong dollars will be converted based on the average closing exchange rate between RMB and Hong Kong dollars issued by the People's Bank of China for the five business days prior to the date of approving the declaration of dividends at the 2020 annual general meeting to be held on 28 May 2021.

The Board is not aware of any shareholders who has waived or agreed to waive any dividend.

PROFIT DISTRIBUTION POLICY

The Company distributes dividends in cash, in shares or in a combination of both cash and shares in accordance with the requirement of Articles of Association every year, of which the profit distribution in cash shall be given priority. The Company maintains the continuity and stability of the Company's profit distribution policy. The Company evaluates its profit distribution policy and the distribution in any specific year in light of their financial circumstances after due consideration of the returns of all Shareholders, long-term interests and sustainable development of the Company.

The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of Domestic Shares in Renminbi within three months after the date of declaration. The Company shall calculate, declare dividends and pay dividends and other payments which are payable to holders of foreign shares in Renminbi, and shall pay such amounts in foreign currency within three months after the date of declaration. The exchange rate shall be the average closing rate for the relevant foreign currency announced by the People's Bank of China five working days prior to the announcement of payment of dividend and other amounts. The Company shall pay foreign currency to holders of foreign shares in accordance with the relevant foreign exchange control regulations of the State. The distribution of dividends should be implemented by the Board under the authorisation of the general meeting by ordinary resolutions.

If the operation of the Company are materially affected as a result of war, natural disasters and other force majeure and significant changes in regulatory policies, or any change in its external operating environment, or there are any significant changes in its own operating conditions, the Company may adjust its profit distribution policy.

The Company will adjust its profit distribution policy after monographic studies by the Board and submit its relevant resolutions to the Shareholders' general meeting for consideration and approval.

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

Withholding and Payment of enterprise Income tax on Behalf of overseas non-Resident enterprises

Pursuant to the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法》 and its implementing rules (hereinafter collectively referred to as the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Withholding and Payment of Individual Income tax on Behalf of overseas Individual Shareholders

Pursuant to the Notice on Issues Relating to Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》 published by the State Administration of Taxation, when overseas resident individual shareholders holding H Shares obtained dividend and/or bonus shares from the non-foreign invested enterprises incorporated in the PRC that issue H Shares in Hong Kong, the individual income tax is usually withheld at a uniform rate of 10%. The specific rate applied to overseas resident individual shareholders may be different according to his/her residential status and the tax treaties signed between the country of his/her residence and the PRC.

Should the holders of H Shares have any doubt as to the aforesaid arrangements, they are recommended to consult their own tax advisors on the relevant tax impact in China, Hong Kong and other countries (regions) on the possession and disposal of H Shares.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the Directors, Supervisors and senior management of the Company are set out from pages 32 to 46 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

Due to change in work arrangement, Mr. Yu Xiaojun has tendered to the Company his resignation from his position as a Non-executive Director of the Company on 28 August 2020, with effect from 10 October 2020.

Due to the age reason, Mr. Wang Dexing has tendered to the Company his resignation from his position as an Independent non-executive Director of the Company on 28 August 2020, with effect from 10 October 2020.

At the 2020 second extraordinary general meeting held on 10 October 2020, Mr. Wang Tao and Mr. Wang Guofeng were appointed as a Non-executive Director and an Independent non-executive Director of the Company, respectively, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 28 August 2020 and 11 October 2020 and the circular of the Company dated 22 September 2020.

Change of Supervisors

There were no changes in the members of the Board of Supervisors during the Reporting Period.

Change of the Chairman of the Board

There were no changes in the chairman of the Board of Directors during the Reporting Period.

Appointment of members of the special committees of the Board of Directors

Nomination Committee

Chairman: Pei Hongwei

Members: Wang Guofeng, Liang Qinghuai, Qin Guisheng, Su Bin

The Audit Committee

Chairman: Sun Maozhu

Members: Ren Yuhang, Liang Qinghuai, Qin Guisheng, Wang Tao

Remuneration Committee

Chairman: Wang Guofeng

Members: Sun Maozhu, Ma Xufei, Wu Donghui, Ren Chong

Overseas Risk Control Committee

Chairman: Pei Hongwei

Members: Wang Hanjun, Li Guoqing

Change of the Chairman of the Board of Supervisors

There were no changes in the chairman of the Board of Supervisors during the Reporting Period.

Change of senior management

Wan Xuehong resigned as Vice President of the Company due to the retirement.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company did not enter into any service contracts, which are not determined by the Company within one year without payment of compensation (other than statutory compensation), with the Directors and Supervisors.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, AND CONTRACTS

For the year ended 31 December 2020, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or their connected entity has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

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

As at 31 December 2020, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code, were as follows:

Name	Position	Capacity	Class of Shares	Number of Shares	Nature of interests	Approximate percentage of total issued H Share capital (%)	Approximate percentage of total issued Share capital (%)
Wang Hanjun	Executive Director and general manager	Personal interest	H Shares	48,000	Long position	0.01	0.004
Li Guoqing	Executive Director and deputy general manager	Personal interest	H Shares	48,000	Long position	0.01	0.004

Note:

Mr. Wang Hanjun and Mr. Li Guoqing subscribed for 1,000,000 Domestic Shares respectively under a key employee stock ownership scheme on 29 December 2017.

Save as disclosed above, as at 31 December 2020, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2020, none of the Directors of the Company had interests in any business that competes or is likely to compete, either directly or indirectly, with the Company's business.

EQUITY-LINKED AGREEMENTS

In 2020, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreements which will or may result in the Company issuing new Shares.

PERMITTED INDEMNITY PROVISION

In 2020, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if entered into by the Company).

The Company has purchased insurances for Directors in respect of the legal liabilities arising from their office, and the applicable laws of the relevant policies are PRC laws.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of remuneration of the Directors, Supervisors and senior management for the Year are set out in notes 8 and 37 to the financial statements.

For the year ended 31 December 2020, the remuneration of other senior management members by bands is set out as follows:

Remuneration Band	Number of Person
RMB500,000 – 1,000,000	10

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no arrangements to which the Company, any of its subsidiaries, its holding company or any subsidiaries of its holding company is or was a party enabling the Directors or Supervisors of the Company to acquire benefits by means of acquisition of Shares in or debentures of the Company or other body corporate.

STOCK OWNERSHIP PLAN OF CORE EMPLOYEES

The Company formulated the stock ownership plan of core employees in order to establish a long-acting incentive and restraint mechanism between employees and Shareholders for sharing revenue, risks and responsibilities and jointly operating business, maintaining the stability of core employee team and improving the cohesion of employees and the competitiveness of the Company, so as to further optimize the equity structure and improve the corporate governance mechanism to promote a long-term development of the Company.

On 1 February 2018, the Company completed the registration of the issue of 76,000,000 Domestic Shares in China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) under special mandate, with the nominal value of RMB1.00 per Share and the issue price of RMB3.43 per Share. Such 76,000,000 Domestic Shares correspond to the total number of unit of the Key Employee Stock Ownership Scheme, being 76,000,000 Shares, subscribed by the eligible participants. The Company's proceeds from the issuance price (i.e. net price from the issuance) totaled RMB260 million.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the Shares and underlying Shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Domestic Shares

Name of Shareholder	Capacity	Number of Domestic Shares	Nature of interests	Approximate percentage of total issued Domestic Share capital	Approximate percentage of total issued Share capital
BUCG ¹	Beneficial owner	571,031,118	Long position	59.44%	42.34%
Beijing Infrastructure Investment Co., Ltd. ²	Beneficial owner	87,850,942	Long position	9.14%	6.51%
Beijing Jingguofa Equity Investment Fund (Limited Partnership) ³	Beneficial owner	46,000,000	Long position	4.79%	3.41%
Tianjin Jun Rui Qi Equity Investment Partnership (LLP) ⁴	Beneficial owner	46,000,000	Long position	4.79%	3.41%
Beijing Chengtong Enterprise Management Center (General Partnership)	Beneficial owner	76,000,000 ⁵	Long position	7.91%	5.64%

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.
2. Beijing Infrastructure Investment Co., Ltd. is a wholly state-owned enterprise established and funded by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.
3. The general partner of Beijing Jingguofa Equity Investment Fund (Limited Partnership) is Beijing Jingguofa Investment Management Co., Ltd. The 100% equity interest in Beijing Jingguofa Investment Management Co., Ltd. is held by Baoding Taihangheyi Cement Co., Ltd. In addition, Beijing State-owned Capital Operation and Management Center is a limited partner holding 64.99% interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership). Each of the above entities was deemed to have interests in the same number of Shares as Beijing Jingguofa Equity Investment Fund (Limited Partnership).
4. The general partner of Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is Beijing Bodao Investment Advisory Center (Limited Partnership), while the general partner of Beijing Bodao Investment Advisory Center (Limited Partnership) is Beijing Legend Capital Co., Ltd. Beijing Junqijiarui Enterprise Management Co., Ltd. holds 45.00% equity interest in Beijing Legend Capital Co., Ltd. Each of the above entities was deemed to have interests in the same number of Shares as Tianjin Jun Rui Qi Equity Investment Partnership (LLP).
5. Among which, 18,270,000 Domestic Shares were issued for connected subscriptions. For further details, please refer to the circular published by the Company on 7 December 2017 and the announcement published by the Company on 5 February 2018.

H Shares

Name of Shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Amundi Asset Management	Investment Manager	42,087,000	Long position	10.85%	3.12%
Amundi Ireland Ltd	Investment Manager	81,494,000	Long position	21.01%	6.04%
Beijing Infrastructure Investment Co., Ltd. ¹	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited ¹	Beneficial owner	68,222,000	Long position	17.59%	5.06%
Pioneer Investment Management Limited	Investment Manager	66,028,000	Long position	17.02%	4.90%
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	3.91%
CRRG Group	Interest of controlled corporations ²	26,222,000	Long position	6.76%	1.94%

Notes:

1. Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) indirectly held interests in 68,222,000 H Shares of long position of the Company through its wholly-owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司).
2. CRRG Group (formerly known as CSR Group Limited) held interests in 26,222,000 H Shares through its controlled corporations, CRRG Corporation Limited (formerly known as CSR Corporation Limited) and CRRG (Hong Kong) Co., Ltd. (formerly known as CSR (Hong Kong) Co. Ltd).

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

SHARE CAPITAL

The Company's share capital structure as at 31 December 2020 was as follows:

Class of Shares	Number of Shares as at 31 December 2020	Percentage of total number of Shares in issue as at 31 December 2020
Domestic Shares	960,733,000	71.24%
Foreign Invested Shares (H Shares)	387,937,000	28.76%
Total	1,348,670,000	100%

PURCHASE, SALES AND REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions in respect of pre-emptive rights under the Articles of Association and the laws of the PRC.

TAX RELIEF OR EXEMPTION

The Company is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are set out in note 12 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

RESERVES

Details of change in reserves of the Group for the Year are set out in the consolidated statement of changes in equity and note 32 to the financial statements. As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB2,402,675 thousand.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2020, the Company had distributable retained earnings of RMB2,402,675 thousand.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest major customers of the design, survey and consultancy business of the Group accounted for 8.9% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 2.4% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 46.0% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 20.0% of the Group's total sales. To the knowledge of the Directors of the Company, none of the Directors, Supervisors of the Company and their respective associates or any Shareholders holding more than 5% interest in the share capital of the Company has any interest in the above major customers.

During the Reporting Period, the amount of purchases from the five largest major suppliers of the Group accounted for not more than 30% of the Group's total amount of purchases.

SUBSIDIARIES AND ASSOCIATES

Details of the subsidiaries, joint ventures, associates, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income of the Company are set out in note 1, note 15, note 16, note 17 and note 18 to the financial statements. Details of the subsidiaries, joint ventures, associates, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income (if any) established during the Reporting Period are set out in the below table:

Name	Registered Capital (RMB,0000)	Place of Registration	Scope of Business	Equity Structure	Date of Establishment
Zhongshan Shenshui Environmental Water Co. Ltd. (中山市深水環境水務有限公司)	800	Zhongshan, Guangdong Province	Water pollution control; survey, design, procurement, construction, operation and maintenance of comprehensive waterbody management projects.	Beijing Urban Construction Design & Development Group Co., Limited: 0.01% Shenzhen Water Group: 51% China Construction Third Engineering Bureau Group Co., Ltd.: 48.98% Central & Southern China Municipal Engineering Design and Research Institute Co., Ltd.: 0.01%	1 September 2020
Hunan Jingjian Capital Construction Investment Co. Ltd. (湖南京建投資建設有限公司)	14,997.32	Zhuzhou, Hunan Province	Investment in Zhuzhou intelligent rail transit system project with its own funds (assets) (limited to its own legal funds (assets) for foreign investment, shall not engage in equity investment, debt investment, short-term financial investment or carry out entrusted asset management to specific objects and other financial services, shall not engage in national regulated financial business and fiscal credit business involving acceptance of money deposits, raising and collection of funds, entrusted loans, issuance of loans, etc.); development of rail transit operation management system; services of advertising design, production, agency and release; repair of machinery and equipment; catering services; urban rail transit services.	Beijing Urban Construction Design & Development Group Co., Limited: 69.99% Zhuzhou City Public Transportation Co., LTD.: 30.01%	25 September 2020

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

SIGNIFICANT INVESTMENT

The main business of Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. is the investment, construction and operation & maintenance of construction projects. Holding the shares of Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. is conducive to promoting the need of the Company to enhance profitability, and is conducive to the Company's market expansion and industrial chain integration. As at 31 December 2020, the investment amount was RMB1.59 billion, accounting for 7.6% of the total asset value as at 31 December 2020, and the details of this significant investment by the Company are as follows:

Company name	Main business	Number of shares held by the Company	Shareholding of the Company	Cost of investment (RMB' 000)	Income on investment for the year (RMB' 000)
Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd.	Construction management of urban rail transit construction (section B), investment and financing related to operation, operation and management, mechanical and electrical equipment renovation, ticket management, commercial property development along the line, house lease along the line, advertising design, production, agency and release along the line, resource development of rail transit station and underground space, development, operation and management of import and export resources of Kunming Rail Transit Line 4 (projects that must be approved legally can be carried out after approval from relevant authorities).	78,280,000	78.28%	1,502,204	86,325

CONNECTED TRANSACTIONS

Pursuant to the Hong Kong Listing Rules, the transactions between the Company and its connected person (as defined under the Hong Kong Listing Rules) constitute connected transactions of the Company. The Company has monitored and managed its connected transactions in strict compliance with the Hong Kong Listing Rules and the Administrative Measures on Connected Transactions of the Company. The non-exempt connected transactions conducted by the Group during the Reporting Period are set out below.

Non-exempt One-off Connected Transaction

Purchase Agreement

On 28 August 2020, the Company entered into the Purchase Agreement with Beijing BII-ERG Transportation Technology Company Limited* (北京京投億雅捷交通科技有限公司) ("**BII-ERG**"), pursuant to which BII-ERG, as the subcontractor, shall provide the Company with the goods and services for the automatic fare collection system under the weak current system integration project of Kunming Rail Transit Line 4. For details, please refer to the connected transaction announcement of the Company dated August 28, 2020.

In accordance with the Purchase Agreement, the total consideration of goods and services provided by BII-ERG to the Company is RMB49,754,842.10, among which, the expense of goods is RMB48,006,394.10 and the expense of services is RMB1,748,448.00. The Company will pay to BII-ERG in cash in installments according to the progress of the purchase agreement through the designated bank.

As at the date of abovementioned announcement, the Domestic Shares and H Shares of the Company held by Beijing Infrastructure Investment Co., Ltd. ("**Beijing Investment Company**") in aggregate accounted for 11.57% of the total issued Shares of the Company. It is one of the Substantial Shareholders of the Company, and constitutes a connected person under Chapter 14A of the Listing Rules. BII-ERG is a wholly-owned subsidiary of Beijing Investment Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The transactions between Beijing Investment Company and/or its subsidiaries and the Company constitute connected transactions under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Purchase Agreement constitute the connected transactions of the Company.

Non-exempt Continuing Connected Transactions

The annual caps for the non-exempt continuing connected transactions of the Group in 2020 and the actual transaction amounts of such continuing connected transaction of the Group in 2020 are set out below:

	For the year ended 31 December 2020	
	Actual amount (RMB million)	Annual cap (RMB million)
1. Renewed Integrated Services Framework Agreement:		
(1) Revenue generated by the Group from providing services to BUCG, its subsidiaries, joint ventures and/or associates	358	435
(2) Expenditure incurred by BUCG, its subsidiaries, joint ventures and/or associates for provision of services to the Group	548	1,770
2. Property and Land Leasing Framework Agreement:		
Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries, joint ventures and/or associates	17	18
3. BI Integrated Services Framework Agreement:		
(1) Revenue generated by the Group for providing design, survey and consultancy services to Beijing Investment Company and its affiliates	175	495
(2) Revenue generated by the Group for providing construction contracting services to Beijing Investment Company and its affiliates	476	600
(3) Expenditure incurred by Beijing Investment Company and its affiliates for provision of services to the Group	41	N/A

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Continuing Connected Transactions Contemplated between the Group and BUCG under the Renewed Integrated Services Framework Agreement

The renewed Integrated Services Framework Agreement between the Company and BUCG on 9 March 2017 has expired on 31 December 2019. Subject to the approval by the Company at the 2019 second extraordinary general meeting on 30 December 2019, the Company and BUCG renewed the Integrated Services Framework Agreement (the “**Renewed Integrated Services Framework Agreement**”) for a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and set the annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the next three years ending 31 December 2022. For details, please refer to the announcement of the Company dated 8 November 2019 and the circular dated 13 December 2019.

Pursuant to the Renewed Integrated Services Framework Agreement, it was agreed between BUCG and the Group that:

- (a) The integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group include but not limited to engineering construction related services, including but not limited to services such as the output of laborers engaged in basic physical work of engineering projects, the supply of engineering construction raw materials, and the leasing of engineering construction machinery and equipment; and training services and other services required by the Group to carry out its business.
- (b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates include but not limited to: (i) services relating to construction survey, design and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services required by BUCG, its subsidiaries and/or associates to carry out their business; and (ii) project sub-contracting and/or specialized services, including but not limited to project management and equipment leasing services, etc., pursuant to situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement (the “**Supplemental Agreement II to the Non-competition Agreement**”) entered into between BUCG and the Company on 29 October 2015.
- (c) The parties agree that the transaction shall be consummated in line with the applicable general market practice (if any) and on normal commercial terms.
- (d) The parties are entitled to choose the counterparty of the transaction, i.e. to provide services to, or obtain services from, any third parties (other than in the circumstances specified in below paragraph (e)). Meanwhile, BUCG, its subsidiaries and/or associates shall provide services to the Group on terms and conditions no less favourable than those offered to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group; and



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

- (e) Notwithstanding any other provisions of the agreement, in respect of the awarded projects cooperated with and/or bid by BUCG under the situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement, BUCG shall, in accordance with the terms of the bidding documents and in compliance with the relevant laws and regulations, sub-contract part or parts of the awarded contract bid by BUCG for the Company to the Group and/or enter into such other ways of cooperation, including but not limited to project management services and/or equipment leasing services, etc., as permitted by the project owner on a no profit basis to BUCG. The Company may enjoy the full profit margin of the contract obtained by the BUCG and subcontracted to the Group.

According to the Renewed Integrated Services Framework Agreement, the price of integrated services (including but not limited to engineering construction-related services) provided by the BUCG, its subsidiaries and/or associates to the Group will be determined with reference to the government's guidance price and market factors, but in no way inferior to the conditions and prices provided by independent third parties to the Group for the same or similar services:

- (a) The government-guided price refers to the pricing range or level provided by the central government, provincial government, local government, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the pricing range or level. The Company will keep track of related updates of government-guided prices. If any governmental documents issued to regulate the services the Company being involved and provide certain pricing range or level, the price will fall within the range of the government-guided price as stated in such documents.
- (b) Except for the government-guided price, the Company will compare the market price with specific project differences such as project scale, technical difficulties, construction period, and labour costs. (the "Market Price" refers to the following information collected by the Company through public channels such as China government procurement services information platform of China government procurement website (<http://www.ccgp.gov.cn>), the China Tender and Procurement website (www.zbytb.com) and the China Procurement and Tender website (<http://www.chinabidding.com.cn/>): (1) the price charged by independent third parties who offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the bidding price of independent third party(ies) who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions.)

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

According to the Renewed Integrated Services Framework Agreement, the prices for the provision of integrated services (including but not limited to engineering investigation, design and consulting-related services) by the Group to BUCG, its subsidiaries and/or associates, will be the prices determined through a tender process or the agreed prices:

- (a) If the Company intends to bid for a project, the Sales & Marketing Department will first evaluate the cost and price of the project and then formed a plan which will be submitted to responsible department heads for approval. If approved, the Company will prepare bidding documents as required by the project owner. According to relevant PRC rules and regulations in relation to the tender process of certain services, the project owner shall organise experts to evaluate the bidder and respective bidding documents. At last, the project owner will determine the bid winner by taking into account certain factors, including but not limited to the qualification of the bidders, the terms provided by the bidders and the total prices quoted, and with reference to the experts' opinions.
- (b) The "agreed price" shall be calculated in accordance with the method of "reasonable cost + reasonable profit", and determined with reference to the "market price", but in no case is better than the conditions and prices provided to independent third parties for the same or similar services.

The "reasonable cost" means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and "reasonable profit" means the profit calculated based on reasonable costs under market practice. (The Company will estimate the cost and price of the project with reference to the calculation method described in the relevant charging guidelines issued by the government or industry associations. In terms of construction consultancy services, the Charging Guidelines of Preliminary Consultancy Services of Urban Rail Transit 《城市軌道交通前期諮詢工作收費指導意見》 issued by China Association of Metros (中國城市軌道交通協會) would be taken as a reference. In terms of construction contracting services, reference would be made to the Project Cost Information 《工程造價信息》 published by local commissions of housing and urban-rural development regularly, which provides suggested prices of certain types of building materials.)

To ensure that the price is fair and reasonable and in no case is better than the conditions and prices offered to independent third parties for the same or similar services, the Company will compare the market price with specific project differences such as project scale, technical difficulties, construction period, and labour costs. (the "Market Price" refers to the following information collected by the Company through public channels such as China government procurement services information platform of China government procurement website (<http://www.ccgp.gov.cn>), the China Tender and Procurement website (www.zbytb.com) and the China Procurement and Tender website (<http://www.chinabidding.com.cn/>): (1) the prevailing bid price of an independent third party that provides similar services on general commercial terms in the place where such services are provided or nearby areas under normal commercial transactions, shall be based on the prices of at least two independent third parties providing the same or similar services under the same conditions; or (2) if (1) is not applicable, the then prevailing winning bid of an independent third party supplying similar services in the PRC under normal commercial terms in an ordinary commercial transaction shall be based on the prices of at least two independent third parties providing the same or similar services under the same conditions.)

Based on the audited financial data of the Company in the past three years, the range of reasonable profit for construction survey, design and consultancy services and construction contracting services is approximately 30% – 35% of the contracting amount and 8%-10% of the contracting amount respectively.

- (c) The price of the relevant project subcontracting arrangements and/or specialized services, if required, to be provided by the Group to BUCG, pursuant to Situations (2) and (3) set out in the Supplemental Agreement II to the Non-competition Agreement, shall be determined as follows:
- (i) The price of the sub-contracting arrangements shall be the contractual price attributable to part or parts of the awarded contract sub-contracted to the Group on a no profit basis to BUCG under the contract awarded to BUCG in Situations (2) and (3) as set out in the Supplemental Agreement II to the Non-competition Agreement; and/or
 - (ii) The price of the specialised services shall be the contractual price of the contract awarded to BUCG or, if applicable, the contractual price attributable to the remaining part of the awarded contract, after deducting the price of the part subcontracted to third parties and the above-mentioned price of the sub-contracting arrangements (on a no profit basis to BUCG).

As at the date of the abovementioned circular relation to continuing connected transactions, BUCG directly and indirectly holds an aggregate of 42.34% interest in the Company and is the controlling Shareholder of the Company, therefore constituting a connected person under Chapter 14A of the Listing Rules. Accordingly, in accordance with Chapter 14A of the Listing Rules, the transactions contemplated between the Group and BUCG under the Renewed Integrated Services Framework Agreement constitute continuing connected transactions of the Company.

As at 31 December 2020, (1) in respect of the revenue generated by the provision of services by the Group to BUCG, its subsidiaries, joint ventures and/or associates, the annual cap in 2020 for such transactions was RMB435 million, whereas the actual revenue generated was RMB358 million; (2) in respect of the expenditure incurred for the provision of services by BUCG, its subsidiaries, joint ventures and/or associates to the Group, the annual cap in 2020 for such transactions was RMB1,770 million, whereas the actual expenditure incurred was RMB548 million.

Continuing Connected Transactions Contemplated between the Group and BUCG under the Property and Land Leasing Framework Agreement

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries and/or associates entered into the Property and Land Leasing Framework Agreement dated 18 June 2014 for a term of ten years. As the annual caps for the abovementioned Land Leasing Framework Agreement entered into by the Board on 8 December 2016 have expired on 31 December 2019, in accordance with the relevant requirements of the Hong Kong Listing Rules, the Board resolved on 8 November 2019 to set new annual caps for these continuing connected transactions for the next three years ending 31 December 2022. For details, please refer to the announcement dated 8 November 2019.

Pursuant to the Property and Land Leasing Framework Agreement: BUCG, its subsidiaries and/or associates agreed to lease the leased properties to the Group exclusively for office and operation uses. Details of the leased properties are as follows:

- (a) Tower One, Building No. 6, Wu Qu, An Hui Lane, Chaoyang District, Beijing and the corresponding land with a GFA of approximately 4,200 sq.m. for the building and a site area of approximately 5,333 sq.m. for the land at a rental price of approximately RMB0.96 million per year;
- (b) Office Building located at No. 7 Toutiao, Nan Lishi Road, Xicheng District, Beijing and the corresponding land with a GFA of approximately 8,000 sq.m. for the building and a site area of approximately 6,027 sq.m. for the land at a rental price of RMB11.00 million per year; and
- (c) Rooms A606-608, A610-11 and B606-09, 6/F, Chengjian Mansion Office Tower, No. 18 North Taipingzhuang Road, Haidian District, Beijing with a GFA of approximately 1,156 sq.m. at a rental price of approximately RMB1.65 million per year.

Pursuant to the Property and Land Leasing Framework Agreement, the rentals and other charges shall be determined and paid as follows:

- (a) Both parties shall review and adjust the rentals every three years during the term of the Property and Land Leasing Framework Agreement by reference to prevailing market rate.
- (b) Any downward adjustment in rentals for the leased properties may be discussed between the parties at any time during the term of the Property and Land Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism as described above.
- (c) The Group shall also be responsible for all utility charges, property management fee (if applicable) and other miscellaneous expenses (including water, electricity, air conditioning, etc., but excluding property tax) incurred in using the leased properties.

- (d) The Group shall pay rentals on a yearly or quarterly basis to BUCG, its subsidiaries and/or associates, details of which shall be specified in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.
- (e) Payment of the utility charges, property management fee and other miscellaneous expenses shall be paid in accordance with provisions set out in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.

As at the date of the above continuing connected transactions circular, pursuant to the Hong Kong Listing Rules, BUCG is the controlling Shareholder of the Company, directly and indirectly holding an aggregate of 42.34% interest in the Company. Accordingly, BUCG, its subsidiaries and/or associates are connected persons of the Company. The transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement constitute continuing connected transactions of the Company.

As at 31 December 2020, in respect of the expenditure incurred for the lease of properties and land by the Group from BUCG, its subsidiaries, joint ventures and/or associates, the annual cap in 2020 for such transactions was RMB18 million, whereas the actual expenditure was RMB17 million.

Continuing connected transactions contemplated under the BI Integrated Services Framework Agreement between the Group and Beijing Investment Company

On 15 August 2018, the Company entered into the Integrated Services Framework Agreement (“**BI Integrated Services Framework Agreement**”) with Beijing Investment Company for a term of three years, valid from 1 January 2019 to 31 December 2021. The Company has also set the annual caps for the continuing connected transactions under such agreements for the three financial years ending 31 December 2021. For details, please refer to the announcement of the Company dated 15 August 2018 and the circular dated 9 October 2018.

Pursuant to BI Integrated Services Framework Agreement, Beijing Investment Company and the Group agreed to:

- (a) The Group provides Beijing Investment Company, its subsidiaries and/or its associates with construction survey, design and consultancy services, including but not limited to construction survey, design and consultancy services, and other services required by Beijing Investment Company, its subsidiaries and/or its associates to carry out their business.
- (b) The Group provides Beijing Investment Company, its subsidiaries and/or its associates with construction contracting services, including but not limited to construction contracting services, and other services required by Beijing Investment Company, its subsidiaries and/or its associates to carry out their business.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

- (c) Both parties are entitled to choose the counterparties of the transaction. Meanwhile, Beijing Investment Company, its subsidiaries and/or associates shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group. Transactions must be made on no more favourable terms to Beijing Investment Company, its subsidiaries and/or associates, or no less favorable terms to the Group, than those available from independent third party.
- (d) Both parties shall carry out the transaction in accordance with the applicable general market practice (if any) and on normal commercial terms.

Under BI Integrated Services Framework Agreement, the price generated by the Group from providing services to Beijing Investment Company, its subsidiaries and/or its associates shall be determined according to the principles set out below:

- (a) Where there is government-prescribed price (The government-prescribed price refers to the price in respect of certain category of services determined by the central, provincial or local governments, relevant price control authorities or the industry regulators in the PRC as prescribed in the laws, regulations, decisions, orders or charging standards. If any government-prescribed price is available to the relevant transactions, the parties of the agreement will execute such government-prescribed price first. The Company will pay close attention to the updates of government prescribed prices and determine the price accordingly);
- (b) Where there is no government-prescribed price, but there is government-guided price, then the price would be determined by coordinating the market factors with reference to the government-guided price (The government-guided price refers to the pricing range or level provided by the central government, provincial government, local government, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the pricing range or level. Currently, there is no government-guided price available in both construction survey, design and consultancy sector and construction contracting sector. The Company will keep track of related updates of government-guided prices. If any governmental documents issued to regulate the services the Company being involved and provide certain pricing range or level, the price will fall within the range of the government-guided price as stated in such documents. Along with the government-guided price, the Company will take into account the price paid by at least two independent third parties (if applicable) in areas or nearby areas acquiring such same type of services on normal commercial terms with comparable scale at that time. The Company will also determine the price by taking into account the project scale, technical difficulties, construction period, and labour costs etc.);

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

- (c) Where there is neither government-prescribed price nor government-guided price, then the price determined through tender process or other available market price. (If the Company intends to bid for a project, the Sales & Marketing Department will first evaluate the cost and price of the project and then formed a plan which will be submitted to responsible department heads for approval. If approved, the Company will prepare bidding documents as required by the project owner. According to relevant PRC rules and regulations in relation to the tender process of certain services, the project owner shall organise experts to evaluate the bidder and respective bidding documents. At last, the project owner will determine the bid winner by taking into account certain factors, including but not limited to the qualification of the bidders, the terms provided by the bidders and the total prices quoted, and with reference to the experts' opinions.)

The "market price" shall be determined in the following order: (1) the price charged by independent third party(ies) then who offer(s) the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the price charged by independent third party(ies) then who offer(s) the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or

- (d) Where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the contractual price.

The "contractual price" shall be determined on the basis of "reasonable cost + reasonable profit". Among which, the "reasonable cost" means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and "reasonable profit" means the profit calculated based on reasonable costs under market practice (The Company will estimate the cost and price of the project with reference to calculation methods stated in relevant charging guidelines promulgated by the government or industry associations. The prices, methods and calculations provided by the industry associations and competent authorities are for reference only and it is not mandatory for the parties to apply such prices, methods and calculations in determining of the contractual price. In terms of construction consultancy services, the Charging Guidelines of Preliminary Consultancy Services of Urban Rail Transit 《城市軌道交通前期諮詢工作收費指導意見》 issued by China Association of Metros (中國城市軌道交通協會) would be taken as a reference. In terms of construction contracting services, reference would be made to the Project Cost Information 《工程造價信息》 published by local commissions of housing and urban-rural development regularly, which provides suggested prices of certain types of building materials. To ensure the price is fair and reasonable, the Company will take into account certain factors, including the project scale, technical difficulties, labour costs and the pricing of similar type of projects. Normally, the quoted price shall not be below the estimated cost plus reasonable profit). Based on the trading history of the Company in the past three years and the prevailing market practice, the range of reasonable profit for construction survey, design and consultancy services and construction contracting services is estimated to be approximately 30%-35% of the contracting amount and 8%-10% of the contracting amount respectively.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

As at the date of the abovementioned circular in relation to continuing connected transactions, the Domestic Shares and H Shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial Shareholders of the Company and constitutes the connected person under Chapter 14A of the Hong Kong Listing Rules. The transactions under the BI Integrated Services Framework Agreement and contemplated thereunder between the Group and Beijing Investment Company, its subsidiaries and/or associates constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As of 31 December 2020, (1) in respect of the revenue generated by the Group from providing design, survey and consultancy services to Beijing Investment Company and its affiliates, the annual caps in 2020 for such transactions was RMB495 million, whereas the actual revenue occurred was RMB175 million; (2) in respect of revenue generated by the Group from providing construction contracting services to Beijing Investment Company and its affiliates, the annual caps in 2020 for such transactions was RMB600 million, whereas the actual revenue occurred was RMB476 million.

CONNECTED TRANSACTIONS WITH BEIJING MTR CONSTRUCTION ADMINISTRATION CORPORATION (“MTR CORPORATION”) AND ITS AFFILIATES

The Board of Directors of the Company was notified by Beijing Infrastructure Investment Co., Ltd. (“**Beijing Investment Company**”), a substantial Shareholder of the Company, that a merger and restructuring was conducted between Beijing Investment Company and MTR Corporation on 4 August 2020, pursuant to which, MTR Corporation was transferred to Beijing Investment Company on 30 June 2020.

From 30 June 2020 to 31 December 2020, the revenue generated from providing design, survey and consultancy services to MTR Corporation and its affiliates was RMB145,942,000. Among which, the revenue of RMB1,159,000 was generated from the new contracts signed after 30 June 2020, and the revenue of RMB144,783,000 was generated from the contracts signed before 30 June 2020.

From 30 June 2020 to 31 December 2020, the revenue generated from providing construction contracting services to MTR Corporation and its affiliates was RMB465,928,000. Among which, the revenue of RMB29,053,000 was generated from the new contracts signed after 30 June 2020, and the revenue of RMB436,875,000 was generated from the contracts signed before 30 June 2020.

From 30 June 2020 to 31 December 2020, the Company incurred design, survey and consultancy services fee for the services provided by MTR Corporation’s affiliate at an amount of RMB2,880,000 according to the contracts signed between the Company and MTR Corporation’s affiliate before 30 June 2020.

In January 2021, MTR Corporation completed the industrial and commercial change, and in February 2021, MTR Corporation completed the change of state-owned property registration certificate.

MATERIAL RELATED-PARTY TRANSACTIONS

Details of related-party transactions are set out in note 37 to the financial statements, in which certain transactions in such related-party transactions also constitute connected transactions as prescribed in Chapter 14A under the Hong Kong Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Hong Kong Listing Rules, and the connected transactions have complied the provisions in Chapter 14A under the Hong Kong Listing Rules.

Save as disclosed in the above connected transactions in this report, there is no other related-party transaction or continuing related-party transaction set out in note 37 to the financial statements which constitutes discloseable connected transactions or continuing connected transactions under the Hong Kong Listing Rules. The Company confirmed that its connected transactions and continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Annual Review Conducted by the Independent Non-executive Directors on the Non-exempt Continuing Connected Transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they had been entered into in accordance with the following conditions:

- (a) Such transactions were entered into in the ordinary and usual course of business of the Group;
- (b) Such transactions were on normal commercial terms; and
- (c) Such transactions were conducted in accordance with the terms under relevant transaction agreements which were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Annual Review Conducted by the Auditors on the Non-exempt Continuing Connected transactions

The auditors of the Company have reviewed the continuing connected transactions mentioned above and confirmed to the Board of Directors that:

- (a) Nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board of Directors;
- (b) For transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group;
- (c) Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements; and

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

- (d) Nothing has come to their attention that causes them to believe that the amount of each of the transactions has exceeded its annual cap mentioned above.

The Company confirms that the execution and performance of the specific agreements under above continuing connected transactions during the year ended 31 December 2020 were in compliance with the pricing principles of such continuing connected transactions.

PERFORMANCE OF THE NON-COMPETITION AGREEMENT

The Non-competition Agreement was entered into by the Company and BUCG on 24 January 2014 and was amended by the Supplemental Agreement I to the Non-competition Agreement signed by the Company and BUCG on 16 June 2014. On 28 January 2016, the 2016 first extraordinary general meeting of the Company considered and approved the Supplemental Agreement II to the Non-competition Agreement entered into between the Company and BUCG on 29 October 2015. For details, please refer to the announcement of the Company dated 29 October 2015 and the circular dated 11 December 2015, respectively.

BUCG stated that for the year ended 31 December 2020, it was not in breach of its undertakings under the Non-Competition Agreement. The independent non-executive Directors of the Company also reviewed the compliance of the Non-Competition Agreement by BUCG during the year 2020, and was of the view that BUCG had not breached the requirements of the Non-Competition Agreement.

PUBLIC FLOAT

Reference is made to the announcements of the Company dated 2 March 2018 and 29 March 2018 in respect of the insufficiency of public float. As disclosed in the announcement of the Company dated 11 July 2017, Beijing Investment HK, a wholly-owned subsidiary of Beijing Investment, a Shareholder of the Company, completed the acquisition of 68,222,000 H Shares of the Company indirectly held by Beijing Capital Group Ltd. ("**Beijing Capital**") through its controlled corporations (the "**Share Transfer**"). Before completion of the Share Transfer, Beijing Investment Company holds 87,850,942 Domestic Shares of the Company, accounting for 6.90% of the total issued Shares of the Company. Beijing Capital holds 73,493,000 H Shares of the Company, accounting for 5.77% of the total issued Shares of the Company. Each of Beijing Investment Company and Beijing Capital does not constitute the substantial Shareholder of the Company and the Shares of the Company held by them are deemed as public float. Upon completion of the Share Transfer, Beijing Investment Company increases its shareholding by acquiring 68,222,000 H Shares of the Company, and the total Domestic Shares and H Shares held by it account for 12.26% of the total issued Shares of the Company, and Beijing Investment Company therefore becomes one of the substantial Shareholders of the Company and constitutes a connected person under Chapter 14A of the Hong Kong Listing Rules. As such, 68,222,000 H Shares held by Beijing Investment Company would no longer be deemed as transferable Shares held by public.

As of the date of this report, the public float of the Company was 23.69%, which failed to meet the requirements on minimum public float under Rule 8.08(1)(a) of the Hong Kong Listing Rules. For further details on the insufficiency of public float, please refer to the Announcement of the Company dated 2 March 2018. The Company is proactively taking practicable measures to recover the public float level.

AUDITORS

The financial statements for the Year have been audited by Ernst & Young. In the forthcoming 2020 general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2021 will be proposed. They were also the auditors of the Company for at the time of listing and public offering. The Company has not changed its auditors over last three years.

MANAGEMENT CONTRACTS

No contracts regarding the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year of 2020.

By order of the Board

Chairman

Pei Hongwei

Beijing, 26 March 2021

REPORT OF THE BOARD OF SUPERVISORS

Dear Shareholders,

During the year of 2020, all members of the Board of Supervisors were in strict compliance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, strictly abided by the principle of good faith and performed their supervisory duties diligently through supervision over meetings and with focus on supervision over financial matters, internal control and compliance, effectively promoting the efficient operation of the Company's corporate governance and proactively protecting the interests of the Shareholders, the Company and its employees.

MEETINGS OF THE BOARD OF SUPERVISORS

During the Year, the Board of Supervisors convened one meeting in total, at which the Proposal on Review of the 2019 Report of the Board of Supervisors in March 2020 was considered and approved.

WORK OF THE BOARD OF SUPERVISORS

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2020 to monitor the validity and compliance of convening of and proposals and resolutions made during the meetings of the Board and general meetings of the Company, and supervised and reviewed the operation compliance, the major operating activities, the corporate governance structure and financial audit as well as the performance of Directors and senior management of the Company, and provided suggestions to the Board.

The Board of Supervisors constantly focused on financial matters, internal control and compliance, supervised and urged the Company to run its business according to laws and regulations, standardized and optimized corporate governance structure, attended to the changes in the Hong Kong Listing Rules and key issues existing in the Company's operations and management within its scope of responsibility, maintained the direction of the Company of sustainable and healthy development and gave advice and reasonable suggestions to the management with respect of compliance adjustment, risk prevention, as well as operation and management, etc. The employee representative Supervisors fully expressed employees' requests in the supervision process, and earnestly protected employees' legal rights and interests.

CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS

There were no changes in the members of the Board of Supervisors during the Reporting Period.

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

The Board of Supervisors issued the following opinions in relation to the supervision and inspection work of the Company during the Year:

The Company's corporate governance and business were conducted in compliance with laws and regulations. The Directors and senior management of the Company had loyally performed their duties set forth in the Articles of Association, strictly abided by the principles of diligence and good faith, and had thoroughly and effectively implemented all resolutions of the general meetings, and those of the Board. No Director or member of the senior management was found to have committed any breach of laws, regulations or the Articles of Association or to have infringed any rights or interests of the Shareholders, the Company or its employees when performing their duties.

The financial statements are authentic and complete. The reviewed financial statements for the interim period of 2020 and the audited annual financial statements for 2020 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. These financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries. Accounting treatments have been applied consistently. The financial accounts were prepared regularly with clear records and complete information.

The Board of Supervisors remains optimistic towards the prospects of the Company. In 2021, the Board of Supervisors will continue with supervision and recommendations in accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association and based on its work plan for the year, constantly facilitate lawful and compliant operation of the Company, improve the internal control system, target sound and rapid development of the Company, continuously improve its performance ability by the means of strengthening its supervision and innovating the thinking of work, diligently perform all its duties and earnestly safeguard the interests of Shareholders, the Company and employees.

Chairman of the Board of Supervisors

Hu Shengjie

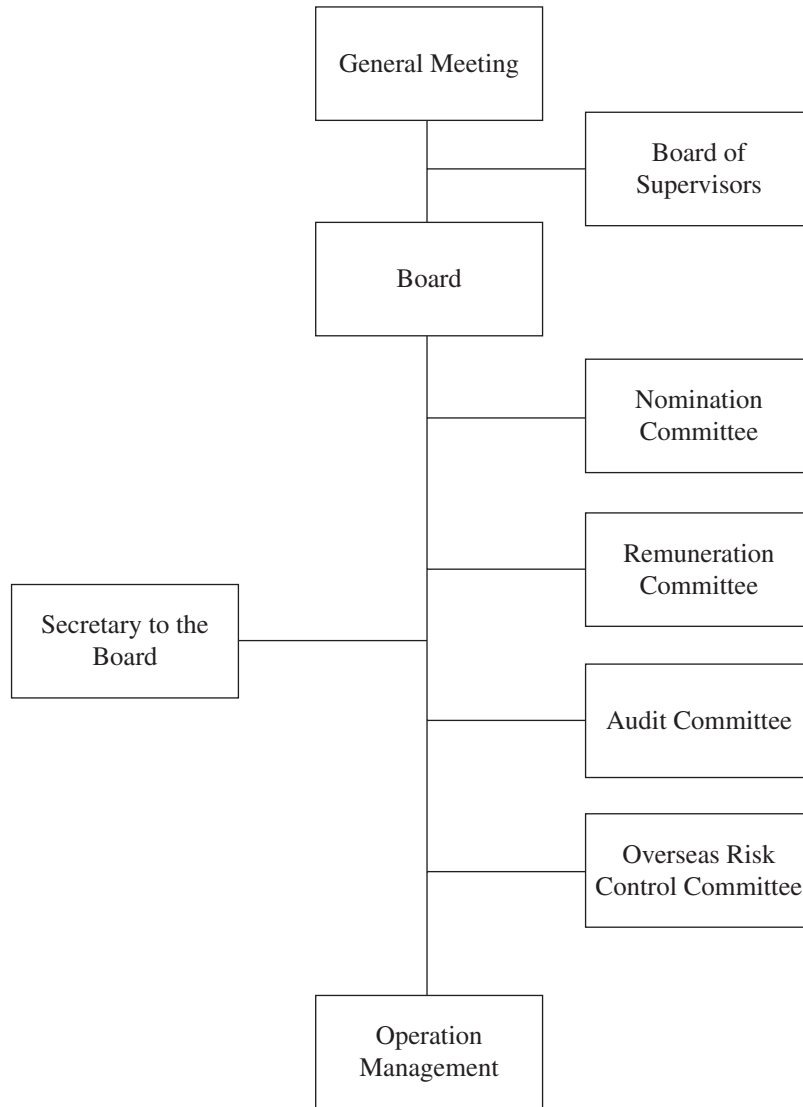
Beijing, 26 March 2021

CORPORATE GOVERNANCE REPORT

The Company strictly complies with various applicable regulatory laws, rules and regulations as well as the Articles of Association to standardize its operation. During the Reporting Period, under the guidance of the regulatory documents such as the Articles of Association, the Rules of Procedure for the General Meeting of Beijing Urban Construction Design & Development Group Co., Limited, the Rules of Procedure for the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Audit Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Remuneration Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Nomination Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Overseas Risk Control Committee of Beijing Urban Construction Design & Development Group Co., Limited, the Administrative Measures on Information Disclosure of Beijing Urban Construction Design & Development Group Co., Limited, the Administrative Measures on Connected Transactions of Beijing Urban Construction Design & Development Group Co., Limited, the Company continuously strengthened its internal control capability and supervision capability and enhanced its corporate governance standard through the coordination of general meetings, the Board and the specialized committees under the Board, the Board of Supervisors and the management.

The corporate governance structure of the Company is set out as follows:

Having reviewed the arrangements in relation to the corporate governance adopted by the Company during the Year, the Board considered the Company had complied with the principles and code provisions required under the Corporate Governance Code.



BOARD

Overview

During the Year, the Board convened five general meetings in total, including two class meetings and submitted 23 proposals to the general meeting. Six Board meetings were convened, including one Board meeting for non-executive Directors, at which 32 resolutions were considered and approved.

The Board convenes regular meetings at least four times a year, and convenes extraordinary meetings when necessary. Notices and meeting materials for regular meetings shall be served to all Directors, Supervisors and the general manager at least 14 days prior to the meetings. The requirement on the notice period is not applicable to extraordinary Board meetings, but a reasonable notice shall be served to all Directors, Supervisors and the general manager. All Directors are entitled to submit proposals to be included as part of the agenda of the Board meetings. Detailed minutes of each Board meeting are maintained. Four specialized committees are formed under the Board, namely the Nomination Committee, the Remuneration Committee, the Audit Committee and the Overseas Risk Control Committee. The duties and responsibilities of and operating procedures for each committee are clearly defined. Each committee submits opinions and proposals to the Board on matters within their respective scope of duties and responsibilities.

During the Year, the Board continued to regulate its operations and enhanced its corporate governance standard in accordance with the applicable principles and code provisions of the Corporate Governance Code, and the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited.

COMPOSITION

During the Year, the Board comprised the following Directors:

Name	Position	Date of commencement and termination of the current term of office
Mr. Wang Hanjun	Executive Director, General Manager	15 August 2018 to 14 August 2021
Mr. Li Guoqing	Executive Director, deputy General Manager	15 August 2018 to 14 August 2021
Mr. Pei Hongwei	Non-executive Director, Chairman	30 December 2019 to 14 August 2021
Mr. Tang Shuchang	Non-executive Director	15 August 2018 to 14 August 2021
Ms. Wu Donghui	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Guan Jifa	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Ren Yuhang	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Su Bin	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Yu Xiaojun	Non-executive Director (resigned on 10 October 2020)	15 August 2018 to 10 October 2020
Mr. Wang Tao	Non-executive Director (appointed on 10 October 2020)	10 October 2020 to 14 August 2021
Mr. Ren Chong	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Wang Dexing	Independent non-executive Director (resigned on 10 October 2020)	15 August 2018 to 10 October 2020
Mr. Wang Guofeng	Independent non-executive Director (appointed on 10 October 2020)	10 October 2020 to 14 August 2021
Mr. Ma Xufei	Independent non-executive Director	30 December 2019 to 14 August 2021
Mr. Sun Maozhu	Independent non-executive Director	15 August 2018 to 14 August 2021
Mr. Liang Qinghuai	Independent non-executive Director	15 August 2018 to 14 August 2021
Mr. Qin Guisheng	Independent non-executive Director	15 August 2018 to 14 August 2021

CORPORATE GOVERNANCE REPORT (CONTINUED)

Changes in the Board members during the period from 1 January 2020 to the date of this report are as follows:

Due to change in work arrangement, Mr. Yu Xiaojun has tendered to the Company his resignation from his position as a non-executive Director of the Company on 28 August 2020, with effect from 10 October 2020.

Due to the age reason, Mr. Wang Dexing has tendered to the Company his resignation from his position as an independent non-executive Director of the Company on 28 August 2020, with effect from 10 October 2020.

At the 2020 second extraordinary general meeting held on 10 October 2020, Mr. Wang Tao and Mr. Wang Guofeng were appointed as a non-executive Director and an independent non-executive Director of the Company, respectively, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 28 August 2020 and 10 October 2020 and the circular of the Company dated 22 September 2020.

Regarding the appointment of Mr. Wang Guofeng as an independent non-executive Director of the Company mentioned above, the Nomination Committee of the Board has conducted preliminary review on qualification and conditions of Mr. Wang Guofeng and made recommendations to the Board according to the Diversity Policy on Members of the Board of Directors of the Company by taking into comprehensive consideration the various factors including skills, experience, independence, knowledge on the business of the Company, the combination of each factor (including gender and age) and other factors relating to the operation efficiency of the Board. According to the laws and regulations and the provisions of Articles of Association, the Board proposed the appointment of Mr. Wang Guofeng as an independent non-executive Director of the Company, which has been considered and approved on the second extraordinary general meeting in 2020.

To the knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board or between the Directors and the general manager.

During the Reporting Period, the Company has complied with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules regarding the appointment of at least three independent non-executive Directors and one independent non-executive Director having appropriate professional qualifications or accounting or appropriate financial management expertise. In addition, the Company complies with Rules 3.10A of the Hong Kong Listing Rules regarding the appointment of independent Directors representing at least one-third of the board of an issuer.

The Company has arranged for appropriate insurance coverage in respect of any legal actions which may be instituted against its Directors and senior management in relation to their performance of duties during the Reporting Period.

DUTIES AND RESPONSIBILITIES

The Board is responsible for convening general meetings, reporting its work to the general meetings, implementing resolutions of the general meetings, determining the operation plans, investment plans and major assets disposal and restructuring plans of the Company, formulating the annual financial budgets plans and final accounts of the Company, formulating plans of profits distribution and recovery of losses of the Company, formulating proposals for the increase in or reduction of the registered capital of the Company, drawing up plans for the issuance of corporate bonds, drawing up plans for merger, division, dissolution or change of form of the Company, determining the establishment of internal administrative organizations of the Company and appointing or removing the general manager and secretary to the Board of the Company. It also appoints, according to the nomination of the general manager, or removes the vice general manager, chief accountant and other senior management of the Company and determines their remuneration matters. It is also responsible for formulating the fundamental management system of the Company, formulating proposals for any amendments to the Articles of Association, managing the information disclosure matters of the Company, proposing the appointment or change of the accounting firm performing auditing for the Company at the general meetings, formulating and reviewing the corporate governance policies and practices of the Company, reviewing and overseeing the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices in relation to the compliance with laws and regulatory requirements, formulating, reviewing and supervising the code of conduct and compliance manual (if any) to employees and Directors, reviewing the Company's compliance with Corporate Governance Code and its disclosures in the Corporate Governance Report, and exercising other powers conferred by the laws, regulations, the requirements under the listing rules of the stock exchange where the Company's Shares are listed, the general meetings and the Articles of Association.

RESPONSIBILITIES OF THE MANAGEMENT

The management of the Company is mainly responsible for the operation and management of the Company. It performs its duties within the scope authorized by the Board and is responsible for its performance under the review and supervision of the Board and the Board of Supervisors.

CHAIRMAN AND GENERAL MANAGER

The roles of the chairman and the general manager have been clearly segregated to ensure a balance of power and authority. The current chairman of the Board of the Company, Mr. Pei Hongwei, is responsible for leading the Board to ensure its effective operation. Mr. Wang Hanjun serves as the general manager and is responsible for the business operation of the Company.

DIRECTORS TRAINING

Each Director will receive information in relation to guidelines on ethics and other major governance matters upon his/her appointment to the Board. Director training is a constant process to ensure the Directors are fully informed in making their contribution to the Board. During the Reporting Period, the Directors received regular updates and summaries on the changes and latest development of the business and operation of the Group and the relevant legal and regulatory environment. In addition, all Directors were encouraged to participate in relevant training courses at the expense of the Company.

During the Reporting Period, the Directors of the Company emphasized on updating their specialized knowledge and techniques to meet with the requirement of the development of the Company. The Company also arranged trainings for Directors on information disclosure, Hong Kong Listing Rules, ESG Corporate Governance Code and connected transactions, etc.

Director	Corporate governance	Laws and regulations	Business management
Executive Directors			
Mr. Wang Hanjun	✓	✓	✓
Mr. Li Guoqing	✓	✓	✓
Non-executive Directors			
Mr. Pei Hongwei	✓	✓	✓
Mr. Tang Shuchang	✓	✓	✓
Ms. Wu Donghui	✓	✓	✓
Mr. Guan Jifa	✓	✓	✓
Mr. Ren Yuhang	✓	✓	✓
Mr. Su Bin	✓	✓	✓
Mr. Yu Xiaojun (resigned on 10 October 2020)	✓	✓	✓
Mr. Wang Tao (appointed on 10 October 2020)	✓	✓	✓
Mr. Ren Chong	✓	✓	✓
Independent non-executive Directors			
Mr. Wang Dexing (resigned on 10 October 2020)	✓	✓	✓
Mr. Wang Guofeng (appointed on 10 October 2020)	✓	✓	✓
Mr. Ma Xufei	✓	✓	✓
Mr. Sun Maozhu	✓	✓	✓
Mr. Liang Qinghuai	✓	✓	✓
Mr. Qin Guisheng	✓	✓	✓

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened a total of five general meetings, including two class meetings, and submitted 23 resolutions to the general meetings. Six Board meetings were convened in total, including one Board meeting for independent non-executive Directors, at which 32 resolutions were considered and approved.

The attendance record of the Board meetings of each Director is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Wang Hanjun	5	5	0
Mr. Li Guoqing	5	5	0
Mr. Pei Hongwei	6	6	0
Mr. Tang Shuchang	5	5	0
Ms. Wu Donghui	5	5	0
Mr. Guan Jifa	5	5	0
Mr. Ren Yuhang	5	3	2
Mr. Su Bin	5	4	1
Mr. Yu Xiaojun (resigned on 10 October 2020)	4	4	0
Mr. Wang Tao (appointed on 10 October 2020)	1	1	0
Mr. Ren Chong	5	4	1
Mr. Wang Dexing (resigned on 10 October 2020)	4	3	1
Mr. Wang Guofeng (appointed on 10 October 2020)	2	2	0
Mr. Ma Xufei	6	6	0
Mr. Sun Maozhu	6	5	1
Mr. Liang Qinghuai	6	6	0
Mr. Qin Guisheng	6	6	0

CORPORATE GOVERNANCE REPORT (CONTINUED)

The main tasks accomplished by the Board during the Year included:

- the convening of five general meetings and submission of 23 resolutions to the general meeting, including the audited consolidated financial statements for 2019 and its summary, the Report of the Board of Directors for 2019, the report of final financial accounts for 2019, the investment plans for 2020, the profits distribution plan and the dividend declaration proposal for 2019, the re-appointment of auditors for 2020 and the payment of the audit fee for 2019, the appointment of non-executive Directors and independent non-executive Directors of the Company, the proposed amendments to the Articles of Association, the proposed amendments to the Rules on agenda of general meeting of the Company, and the review and approval on the granting of general mandate to the Board to issue additional Domestic Shares and/or H Shares, all of which were approved at the general meeting;
- the convening of six Board meetings and consideration and approval of 32 resolutions, including the profits distribution plan and the dividend declaration proposal for 2019, the completion of investments in 2019 and the investment plan for 2020, the interim results announcement and interim report of the Company for 2020, investment in Phase I project of the Zhuzhou smart rail transit system and the establishment of a special project company and a special project department, PPP project of Kunming rail transit line 4, and connected transactions with the subsidiaries of Beijing Investment Company.

NOMINATION COMMITTEE

The major duties and responsibilities of the Nomination Committee of the Company are: to review the size, structure and composition of the Board at least on an annual basis and make recommendations to the Board on any proposed changes, according to the conditions of operating activities, the scale of assets and shareholding structure of the Company, assess the independence of the independent non-executive Directors, and study the criteria and procedures for selecting Directors and senior management and make recommendations thereon to the Board. It is also responsible for conducting extensive searches for qualified candidates for Directors and senior management, conducting examination on the candidates for Directors and senior management and making recommendations on the appointment, reappointment and succession of Directors and senior management. It also needs to conduct examination on other senior management candidates that must be recommended to the Board for appointment and make recommendation and is in charge of other matters required by the laws, regulations, the Articles of Association, securities regulatory authorities at the places where the Company's Shares are listed and other matters authorised by the Board.

The Nomination Committee shall first discuss the nomination of candidates for new Directors, examine the qualification of these candidates, and then recommend such candidates to the Board. The Board shall determine whether the appointment of such candidates should be proposed for election at the general meetings. The major criteria considered by the Nomination Committee and the Board are the candidates' educational backgrounds, experience in the industry, their proposed commitment to the Company and achieving the goal of diversity of the Board. Regarding the nomination of independent non-executive Directors, the Nomination Committee will also particularly consider the independence of such candidates. To achieve diversity of the Board, the Board has strictly adhered to the Diversity Policy on Members of the Board of Directors, according to which, selection of the members of the Board are required to be conducted on the basis of a range of diversity perspectives by taking into account the consolidated factors including skills, experience, independence, knowledge on the business of the Company, the composition of various factors (including gender and age) and other factors relating to the operation efficiency of the Board. The Nomination Committee is responsible for supervising the implementation of such policy.

As at the date of the report, the implementation of the diversity policy of the Board is as follows:

1. The Board comprises 15 Directors, of which five are independent non-executive Directors. The composition is in compliance with the requirements of Rules 3.10(1) and 3.10A of the Hong Kong Listing Rules in relation to “at least one-third of the members of the Board shall be independent non-executive Directors”.
2. Among which at least one of the independent non-executive Directors has obtained financial professional qualifications, while other Directors possess legal, financial, business administration, public service and other professional experience, which are also in compliance with the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.
3. Members of the Board have different education backgrounds, of which they receive bachelor’s degree in engineering and construction, doctoral degree in heat supply, gas supply, ventilation and air-conditioning engineer, master’s degree in business administration, doctoral degree in civil engineering construction and management, doctoral degree in corporate management, master’s degree in economics and master’s degree in law. Their ages are from 44 to 63, with one female member.

During the Year, the Nomination Committee held one meeting in total to consider and approve the resolution on the nomination of Mr. Wang Tao as a candidate for non-executive Director and Mr. Wang Guofeng as a candidate for independent Director. The attendance record of the meeting of the members of the Nomination Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Pei Hongwei	Chairman of the Nomination Committee Non-executive Director	1	1	0
Mr. Su Bin	Non-executive Director	1	1	0
Mr. Wang Dexing	Independent non-executive Director (resigned on 10 October 2020)	1	1	0
Mr. Wang Guofeng	Independent non-executive Director (appointed on 10 October 2020)	0	0	0
Mr. Liang Qinghuai	Independent non-executive Director	1	1	0
Mr. Qin Guisheng	Independent non-executive Director	1	1	0

REMUNERATION COMMITTEE

The major duties and responsibilities of the Remuneration Committee of the Company are: to formulate the general plan or proposal for the remuneration of the Directors and senior management and individual remuneration packages according to the main scope, duties and responsibilities, and importance of the management positions of the Directors and senior management as well as the remuneration level of their counterparts in other related enterprises, and make recommendations to the Board; to review the performance of duties of the Directors (other than independent Directors) and senior management of the Company and conduct an annual appraisal on their performance; to be responsible for supervising the implementation of the remuneration policy of the Company; to ensure neither the Directors nor their associates would determine their individual remuneration on their own; and to be in charge of other matters required by the laws, regulations, the Articles of Association, securities regulatory authorities at the places where the Company's Shares are listed and other matters authorised by the Board.

The fixed salaries of the executive Directors and other senior management are determined in accordance with the market levels and their respective positions and duties, and their performance-related bonuses are subject to various considerations, including the operating results of the Company and the results of their performance appraisals. Directors' fees and Supervisors' fees are determined with reference to the market levels and the circumstances of the Company.

During the Year, the Remuneration Committee held one meeting in total to consider the performance of duties and responsibilities of the executive Directors and other senior management of the Company and their remuneration matters. The attendance record of the meeting of the members of the Remuneration Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Wang Dexing	Chairman of the Remuneration Committee Independent non-executive Director (resigned on 10 October 2020)	0	0	0
Mr. Wang Guofeng	Chairman of the Remuneration Committee Independent non-executive Director (appointed on 10 October 2020)	1	1	0
Ms. Wu Donghui	Non-executive Director	1	1	0
Mr. Ren Chong	Non-executive Director	1	1	0
Mr. Ma Xufei	Independent non-executive Director	1	1	0
Mr. Sun Maozhu	Independent non-executive Director	1	1	0

AUDIT COMMITTEE

The major duties and responsibilities of the Audit Committee of the Company are: to recommend the engagement or change of the external audit firm; to review the independence and objectivity of the external auditor and the effectiveness of the auditing procedures according to applicable standards; to approve the remuneration and terms of engagement of the external auditor; to develop and implement policy on engaging an external auditor to provide non-audit services; to supervise the Company's internal auditing system and its implementation in order to ensure sufficient resources are allocated for operating the internal audit function within the Company and monitor the effectiveness of the internal audit function; to ensure that the internal audit function will analyse and make independent evaluation on the sufficiency and effectiveness of risk management and internal control systems; to be responsible for the communication between the internal and external audit; to review the financial information of the Company and its disclosure and review the accounting affairs and policies of the Company; to review the internal control and risk management systems of the Company and express opinions and make recommendations in respect of the soundness and improvement of the internal control and risk management systems of the Company, and conduct risk analysis on the significant investment being undertaken by the Company; to oversee the internal control and risk management systems of the Company on an ongoing basis and review the effectiveness of the internal control and risk management systems of the Company and its subsidiaries at least annually; to study the important investigation results and responses from the management in respect of the matters of internal control and risk management; to discuss the risk management and internal control systems of the Company with the management, and ensure that the management has performed its duty to establish the effective risk management and internal control systems; to express opinions and make recommendations in respect of the evaluation and change of the principal of internal audit department of the Company; to review the letters for the management provided by external auditors; to review whether the mechanism allowing employees to report on or complain about, by way of whistleblowing, any misconduct in respect of the Company's financial reports, internal control or other matters is well established, and to ensure a proper arrangement of the Company which may enable fair and independent investigation and follow-up procedures for the case of whistleblowing; to set up relevant procedures for handling complaints; to keep in regular contact with the Board, senior management and external auditors; and to be in charge of other matters required by the laws, regulations, the Articles of Association, securities regulatory authorities at the places where the Company's Shares are listed and other relevant matters authorised by the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Year, the Audit Committee held three meetings in total to consider and approve the proposals in respect of the result of review on 2019 annual report, independence of external auditors, efficiency of internal control system, the result of review on 2020 interim report and the audit plan for 2021. The attendance record of the meetings of the members of the Audit Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Sun Maozhu	Chairman of the Audit Committee Independent non-executive Director	3	3	0
Mr. Ren Yuhang	Non-executive Director	3	2	1
Mr. Yu Xiaojun	Non-executive Director (resigned on 10 October 2020)	2	2	0
Mr. Wang Tao	Non-executive Director (appointed on 10 October 2020)	1	1	0
Mr. Liang Qinghuai	Independent non-executive Director	3	3	0
Mr. Qin Guisheng	Independent non-executive Director	3	3	0

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2020.

EXTERNAL AUDITORS

In 2020, the Company should pay RMB3.38 million to external auditors in relation to auditing services, which included the payments on auditing the annual financial report of 2020 and reviewing the interim financial report of 2020. Other non-audit services provided by the external auditors to the Company include tax consulting services. The remuneration paid by the Company in respect of such non-audit services amounted to RMB112,000 in total.

OVERSEAS RISK CONTROL COMMITTEE

The major duties and responsibilities of the Overseas Risk Control Committee of the Company are: to judge on possible risks of sanctions borne by the Company if it intends to carry out any new overseas transactions or businesses in the sanctioned countries; to supervise and control the internal control procedures conducted and relevant undertakings made to the Hong Kong Stock Exchange by the Company in respect of carrying out businesses in the sanctioned countries in the past; to select and engage one or more external international law firms and other related experts with expertise in the laws of sanctioned areas so that they would be able to provide relevant legal and professional opinions to the Company and the Overseas Risk Control Committee; to provide guidelines on the factors or criteria to be considered whether the Company should conduct new businesses in the sanctioned countries and the controlling measures to be implemented when conducting businesses in the related sanctioned countries; to arrange appropriate trainings in respect of the relevant laws of the sanctioned countries for the Directors, senior management, related staff of the secretariat of the Board and persons in charge of the disclosure of overseas information; and to be in charge of other matters required by the applicable laws, regulations, securities regulatory authorities at the places where the Company's Shares are listed and other relevant matters authorised by the Board from time to time.

In 2020, with respect to the development of the Company's overseas operations and the measures taken in response to the impact of the COVID-19 on overseas markets, the Overseas Risk Control Committee held one meeting to consider the development of the Company's overseas operations. The attendance record of the meeting of the members of the Overseas Risk Control Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Pei Hongwei	Chairman of the Overseas Risk Control Committee Non-executive Director	1	1	0
Mr. Wang Hanjun	Executive Director	1	1	0
Mr. Li Guoqing	Executive Director	1	1	0

INTERESTS HELD BY THE DIRECTORS AND SECURITIES TRANSACTIONS

All Directors shall declare to the Board whether they hold offices or positions in other companies or entities upon their appointments as Directors and they are required to update the Board annually in respect of their relevant interests. If the Board considers that a Director has conflict of interest in any resolution or transaction when discussed, the Director shall declare his interests and abstain from voting. If appropriate, the Director should be excused from the meeting.

The Company adopted the Model Code as the code for securities transactions conducted by the Directors and Supervisors. Each of the Directors and Supervisors has confirmed his/her compliance with the above code during the Year upon specific enquiries with all of them.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible for monitoring the preparation of the financial statements for every financial year and ensuring those financial statements provide a true and fair view on the business conditions, operating results and cash flows of the Group in the relevant period. In preparing the financial statements as at 31 December 2020, the Directors have selected appropriate accounting policies and applied them consistently, adopted all relevant standards in compliance with the International Financial Reporting Standards, and made a prudent and reasonable judgment and estimation and prepared the financial statements on a going concern basis.

In accordance with the requirements of the Hong Kong Listing Rules, the Company has timely announced its annual and interim results within three and two months, respectively, after the end of the relevant financial periods.

Risk Management and Internal Control

The Board should oversee the risk management and internal control systems of the Company on an ongoing basis, be responsible for the risk management and internal control systems and reviewing their effectiveness. Besides, the Board is responsible for maintaining a steady, proper and effective internal control system for the Group to safeguard its assets. The risk management and internal control systems were designed to manage rather than eliminate the risk of failure to achieve the business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the internal control system of the Group annually through the Audit Committee.

During the Reporting Period, the Board has completed an annual review on the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls through the Audit Committee. Particularly, the Board has considered the resources allocated by the Group on other major functions such as accounting, internal audit and financial reporting, the qualification and experience of and training courses received by our employees, and the sufficiency of relevant budgets. No critical internal control issues have been identified in such reviews. The Board considers that the existing risk management and internal control systems are effective and adequate during the year under review and as of the date of this report.

The Main Features of the Risk Management and Internal Control Systems

The management framework and contents of the Company's internal control are set out as follows:

The Company strives to develop a comprehensive internal control system on the basis of Guidelines on Internal Control of Beijing Urban Construction Design & Development Group Co., Limited and its supplementary guidelines with a focus on management and business processes covering five basic elements such as the internal environment, risk assessment, control activities, information and communication and internal supervision.

The internal environment is the foundation of the Company's internal control system that determines the staff awareness of internal control and affects their attitude, recognition and behaviour in implementing measures and performing duties of internal control, in respect of corporate structure, development strategy, human resource, social responsibility, corporate culture and legal management.

Risk assessment refers to the process of identification and analysis of risks underlying the achievement of our business objectives according to certain formulas and methods so as to design relevant control measures thereafter.

Control activities refer to the application of related control measures to control risks within a tolerable level, including the strategic management control, overall budget control, management report control, performance evaluation control, internal audit control, control on the division of incompatible responsibilities, control on the authorisation and approval, control on "Three Importance and One Greatness", risk alert and emergency response mechanism, and the control on information system and accounting system.

Information and communication refers to the process to collect, process and compile internal control related information required by decisions-making and communicate it to the right person in a timely, accurate and complete manner. It serves as an integral part of the management measures.

Internal supervision refers to the Company's supervision and review on the establishment and implementation of the internal control, assessment of the effectiveness of internal control and improvement of the internal control system.

Internal Audit Function

The Company has established a legal audit department which acts as a daily operational office of the Audit Committee under the Board to monitor how the Company and its subsidiaries establish and improve their respective internal control systems and to review the implementation of each of the internal control systems. The legal audit department is also responsible for organizing the internal audit function to perform audit responsibilities.

Procedure of Identifying, Evaluating and Managing Significant Risks and Reviewing the Effectiveness of Risk Management and Internal Control Systems

The Company strives to develop a comprehensive internal control system on the basis of Guidelines on Internal Control of Beijing Urban Construction Design & Development Group Co., Limited and its supplementary guidelines with a focus on management and business processes covering five basic elements such as the internal environment, risk assessment, control activities, information and communication and internal supervision. The Company adopts the following specific procedures to identify, evaluate and manage significant risks, and review the effectiveness of risk management and internal control systems, as well as resolve material internal control defects:

- Identifying key business risks: to identify the inherent business risks through optimization of business process.
- Evaluating and measuring the risks: to determine the severity of the risks through evaluation on two dimensions, i.e. the risk impact and the possibility of occurrence, so as to determine the order of priority of risk management.
- Defining the objectives and measures of control: to define the objectives and measures of control catering to the risks identified, and form the internal control matrix.
- Assessing the effectiveness of internal control: to assess the effectiveness of the design and enforcement of internal control by performing the walk-through test and effectiveness test.
- Evaluating the remaining risks: to determine the remaining risks after being effectively controlled with existing control measures, and formulate strategies to address the risks.
- Evaluating and monitoring the internal control regularly: to develop an internal control system to evaluate the effectiveness of internal control regularly.
- Continued improvement: to keep improving the Company's ability to avoid and manage risks through the continued optimization and rectification of weaknesses in the evaluation process.

Procedures of Addressing the Material Deficiencies in the Internal Control System

The internal control evaluation team shall perform preliminary identification of the defects in the internal control according to the evidences obtained in on-site testing, and classify them into significant, important and general defects based on their consequence rating. Timely measurements should be adopted to address the identified significant defects, so as to effectively control the risks within a tolerable level. And the staff of related department involved shall be accountable for the issue according to the practical situation.

The internal control evaluation team shall prepare the summary report of identified defects in internal control, setting out the comprehensive analysis on the defects and reasons for, forms and degree of impacts of defects in internal control. The significant defects shall be determined by the Board.

For the defects identified in the course of evaluation of internal control, the legal audit department shall procure the accountable department to rectify them, and monitor, track and confirm the rectification. Internal control evaluation report shall be prepared by the legal audit department based on the evaluation result and shall be submitted according to the Group's requirements. The evaluation materials of internal control shall be properly kept by the legal audit department and shall be filed according to the administrative requirements of general documents of the technology and quality department.

The Procedures and Internal Control for the Handling and Dissemination of Inside Information

The Company has established the Information Disclosure Management System which stipulates the procedures and internal controls for the handling and dissemination of inside information. Prior to information disclosure, the scope of persons who have access to such information shall be minimised. They shall not leak the inside information of the Company, engage in inside trading or collude with other persons to manipulate the prices of the Company's securities. Unless the exceptions set out in regulatory laws and rules of Hong Kong, the Company shall disclose the inside information via publishing announcements on the Hong Kong Stock Exchange as far as reasonable and practical after such information has come to the knowledge of the Company.

Board of Supervisors

The Board of Supervisors of the Company is accountable to the general meetings and its duties and responsibilities mainly include: to review the financial affairs of the Company; to oversee the performance of the duties for the Company by the Directors and senior management and make proposals to dismiss the Directors and senior management who have violated the relevant laws, administrative regulations, the Articles of Association or resolutions passed at the general meetings; to request the Directors and senior management to rectify if their acts have jeopardized the Company's interests; to review financial information (including financial reports, business reports and any plans for profit distribution) to be proposed by the Board to the general meetings, and to retain, in the name of the Company, registered accountants and certified auditors to assist in the review of such information should any doubt arise; to propose to convene an extraordinary general meeting and in case the Board fails to perform the duty of convening and presiding over general meetings, to convene and preside over a general meeting; to put forward proposals at the general meetings; to represent the Company in negotiating with the Directors and senior management and initiate legal proceedings against the Directors and senior management; and to be in charge of other functions and powers as required under the Articles of Association.

As at the date of this report, the members of the Board of Supervisors of the Company comprise four Supervisors assumed by the Shareholder representatives, one independent Supervisor and three Supervisors assumed by employee representatives, with a total of eight Supervisors. During the Year, the Board of Supervisors held one meeting in total and considered and approved one resolution. It supervised, on behalf of the Shareholders, the financial position of the Group, the legitimacy and compliance of the performance of duties by the Directors and senior management, attended the Board meetings and general meetings, and fulfilled its duties diligently.

Changes in the members of the Board of Supervisors during the period from 1 January 2020 to the date of this report are as follows:

There were no changes in the members of the Board of Supervisors during the Reporting Period.

Directors' Responsibility for the Financial statements

All the Directors of the Company acknowledge that they are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the disclosure provisions of the International Financial Reporting Standards and the Hong Kong Companies Ordinance. To the knowledge of the Directors, there is no event or condition that may have a material adverse effect on the continuing operation of the Company.

Independence of Independent non-executive Directors

The Company has received the annual confirmation letters from all the independent non-executive Directors in relation to their independence. As at the date of this report, the Company is of the view that all the independent non-executive Directors are independent.

Company secretaries

Mr. Xuan Wenchang and Ms. Kwong Yin Ping Yvonne are the joint company secretaries of the Company since the date on which the Company's H Shares were issued and listed. In 2020, Mr. Xuan Wenchang and Ms. Kwong Yin Ping Yvonne have received relevant professional trainings for not less than 15 hours. Ms. Kwong Yin Ping Yvonne's primary contact person in the Company is Mr. Xuan Wenchang. Please refer to "Directors, Supervisors and Other Senior Management" for the biographical details of Mr. Xuan Wenchang. Each of the Directors could discuss with the company secretaries for seeking opinions and obtaining information.

Mr. Xuan Wenchang, one of the joint company secretaries of the Company, has served independently as the company secretary of the Company since 1 October 2020, and Ms. Kwong Yin Ping has ceased to be the joint company secretary of the Company at the same time. Please refer to the announcement of the Company dated 30 September 2020.

GENERAL MEETING

The general meeting is the supreme authority of the Company. It performs its functions according to law and makes decisions on major issues in relation to the Company. The annual general meetings or extraordinary general meetings provide a channel for the Shareholders of the Company to communicate directly with the Board. In 2020, the Company convened two extraordinary general meetings, one H Shares class meeting, one Domestic Shares class meeting and one annual general meeting in total, at which 23 proposals were considered and approved. All the Directors, Supervisors and senior management members shall, as far as practicable, attend the general meeting of the Company. The following is the attendance record of the general meetings of the Directors:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Wang Hanjun	5	5
Mr. Li Guoqing	5	5
Mr. Pei Hongwei	5	5
Mr. Tang Shuchang	5	5
Ms. Wu Donghui	5	5
Mr. Guan Jifa	5	5
Mr. Ren Yuhang	5	0
Mr. Su Bin	5	4
Mr. Yu Xiaojun (resigned on 10 October 2020)	5	4
Mr. Wang Tao (appointed on 10 October 2020)	0	0
Mr. Ren Chong	5	4
Mr. Wang Dexing (resigned on 10 October 2020)	5	4
Mr. Wang Guofeng (appointed on 10 October 2020)	0	0
Mr. Ma Xufei	5	5
Mr. Sun Maozhu	5	5
Mr. Liang Qinghuai	5	4
Mr. Qin Guisheng	5	4

RIGHTS OF SHAREHOLDERS

Methods of Convening extraordinary General Meetings

According to the relevant requirements under the Company Law and the Articles of Association, any Shareholder(s), whether individually or collectively, holding 10% or more (including 10%) of the outstanding Shares of the Company with voting rights who request to convene an extraordinary meeting shall submit explicit agenda and proposals in writing to the Board. The Board shall convene an extraordinary general meeting within two months.

Procedures for Proposing extraordinary Proposals at General Meetings

The Company may convene general meetings according to the relevant requirements under the Company Law and the Articles of Association. Any Shareholder(s) holding a total of more than 3% of voting right of the Shares of the Company is entitled to propose new proposal(s) in writing to the Board ten days prior to the general meeting. The Board shall notify other Shareholders of such proposal(s) by issuing the supplementary notice of the general meeting within two days after receipt of such proposal(s) and add the proposal(s) which is within the scope of duties of the general meeting to the agenda of the general meeting for consideration. The proposal(s) submitted by the Shareholders shall fall within the scope of business of the Company and the scope of the duties of general meetings. The content shall not contravene any provisions of the laws and regulations and shall contain clear subjects and specific matters to be resolved.

Shareholders may at any time send their enquires to the Board in writing through the secretariat of the Board of the Company, whose contact details are as follows:

Address: 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC
Postal Code: 100037
Telephone: 86-10-88336868
Facsimile: 86-10-88336763
E-mail Address: ir@bjucd.com

Information Disclosure and Investor Relations

The secretariat of the Board of the Company is responsible for information disclosure of the Company. The Company has formulated and enforced the Administrative Measures on Information Disclosure of Beijing Urban Construction Design & Development Group Co., Limited to ensure information disclosed is accurate, complete and made in a timely manner. During the Reporting Period, the Company published its annual and interim results announcements as well as its annual and interim reports and related temporary announcements in accordance with requirements under the Hong Kong Listing Rules and made detailed disclosure on material information and the progress of any significant matters relating to the Company.

During the Reporting Period, the Company continued to attach importance to network building in order to adapt to the changes of the means of information disclosure required by the Hong Kong Stock Exchange, to disclose every piece of information in a timely and accurate manner and to update and announce the operation dynamics and information in a timely manner. The Company also continued to modify the Chinese and English versions of the website pursuant to the latest requirements under the Hong Kong Listing Rules, enabling investors to have a clear picture of the recent development of the Company. Detailed information of each business activity of the Company and all published announcements are available for inquiry and downloading from the Company's website, www.bjucd.com.

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. The Company timely communicated its operating results and business development trends with investors after the announcements of the 2019 annual results and 2020 interim results by way of results briefings and roadshows in order to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, holding telephone conferences, attending major investment forums, by telephone and email, etc. and proactively provides investor relations information on the Company's website, with a view to establish and maintain a good relationship with investors.

Articles of Association

The latest version of the Articles of Association is set out on the websites of the Company and the Hong Kong Stock Exchange.

During the Reporting Period, based on the actual needs of the Company, the Company made corresponding amendments to the Articles of Association in accordance with the Company Law of the People's Republic of China and the Reply of the State Council on the Adjustment of the Provisions of the Notice Period of Convening General Meetings and Other Matters Applicable to Overseas Listed Companies after the approval of the Board and the general meeting of the Company. For details of the amendments, please refer to the announcements of the Company dated 25 March 2020 and 28 May 2020, respectively, and the circular of the Company dated 8 May 2020.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young

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To the shareholders of Beijing Urban Construction Design & Development Group Co., Limited

(Incorporated in the People's Republic of China as a joint stock limited company with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Urban Construction Design & Development Group Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 228, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter

How our audit addressed the key audit matter

Revenue recognition on contracts for services and construction contracts

The Group derived most of its revenues from contracts for services and construction contracts that were recognised over time, using an input method. The input method involved significant management judgement and estimates, including estimates of the progress towards completion, the scope of deliveries and services, total contract costs, remaining costs to completion, total contract revenues and contract risks. In addition, revenue, cost and gross profit realised on such contracts could vary from the Group's original estimates because of changes in conditions.

More details are set out in note 2.4 "Revenue recognition", note 3 "Significant accounting judgements and estimates" – *percentage of completion of construction and service works and estimation of total budgeted costs and costs to completion for construction contracting and contracts for services*, and note 5 "Revenue, other income and gains" to the consolidated financial statements.

We obtained an understanding of, assessed and tested the relevant internal controls over revenue recognition of the Group. We obtained material contracts for services and construction, reviewed the key contract terms, reviewed whether the revenue recognition policies were in line with IFRS. We reconciled the total contract revenues to contracts. We reviewed the methods and assumptions in determining the total budgeted costs. We checked the relevant supporting documents for actual costs on a sample basis. We performed cut-off testing procedures to check whether material costs had been recognised in the appropriate accounting periods. We checked if there was any contract of which the estimated contract costs exceeded the estimated contract revenue and for which the provision was recognised. We tested the calculation of the percentage of completion and assessed whether the revenues and costs had been recognised under the input method. We performed analytical review procedures for the gross margin of material contracts. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment of trade receivables and contract assets

As at 31 December 2020, the trade receivables and contract assets of the Group amounted to RMB7,581 million, which represented 36% of its total assets. According to the impairment requirements of IFRS 9 *Financial Instruments*, the Group established a provision matrix based on its historical credit loss experience and existence of disputes, and adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considered the credit risk characteristics of different customers and calculated expected credit losses ("ECLs") on trade receivables and contract assets based on the combination of individual and collective assessment. The Group recognised a loss allowance based on lifetime ECLs. Making the allowance involved significant management judgement and estimates.

More details are set out in note 2.4 "Impairment of financial assets", note 3 "Significant accounting judgements and estimates" – *provision for expected credit losses on trade receivables and contract assets*, note 22 "Contract assets" and note 23 "Trade and bills receivables" to the consolidated financial statements.

We assessed the impairment allowance of trade receivables and contract assets by obtaining an understanding of, assessing and testing the relevant internal controls over impairment of trade receivables and contract assets of the Group, reviewing the accounting policy for impairment of trade receivables and contract assets, assessing the provision matrix and the expected credit loss rate, assessing whether the assumptions considered the impact of the forward-looking information, and considering whether there were special impairment indications about long ageing receivables and overdue receivables.

For impairment allowance determined on an individual assessment basis, we assessed the impairment allowance determined by management by reviewing the forward-looking information, reviewing the subsequent collection after the reporting period, and evaluating whether the respective debtors have been experiencing significant financial difficulty, default or delinquency in interest or principal payments.

For impairment allowance determined on a collective assessment basis, we tested the accuracy of the ageing of trade receivable balances by tracing to details of ledger accounts and delivery evidence and by reviewing the forward-looking information.

We also assessed the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Accounting for service concession arrangements

The Group engaged in certain service concession arrangements, pursuant to which the Group is required to build, operate and transfer the urban infrastructures and received in return rights to the income arising from operation of such infrastructures for certain concession periods after the completion of construction of such urban infrastructures. The measurement of revenue and cost for the service concession arrangements involved significant management judgement and estimates, including determination of applicable accounting model, estimating future guaranteed receipts, and estimation of prevailing market rate of construction gross margins, and discount rate used.

More details are set out in note 2.4 "Service concession arrangements", note 3 "Significant accounting judgements and estimates" – *accounting for service concession arrangements*, note 5 "Revenue, other income and gains", note 14 "Intangible assets", note 20 "Financial receivables" and note 22 "Contract assets" to the consolidated financial statements.

We obtained an understanding of, assessed and tested the relevant internal controls over accounting for service concession arrangements, assessed whether the accounting model adopted was in line with IFRS by reviewing the contract terms of whether the Group had an unconditional contractual right under the service concession arrangement to receive a determinable amount of payments during the concession period, and reviewed the methods and assumptions in determining the future guaranteed receipts estimated. We involved our internal valuation specialist to assess the rate of construction gross margins and discount rate used. We tested the calculation of financial receivables, intangible assets and revenue. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Melody Lam Siu Wah.

Ernst & Young

Certified Public Accountants

Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB' 000	2019 RMB' 000
REVENUE	5	9,984,891	8,414,039
Cost of sales	7	(8,088,364)	(6,734,842)
Gross profit		1,896,527	1,679,197
Other income and gains	5	404,664	382,919
Selling and distribution expenses		(78,777)	(73,149)
Administrative expenses		(843,741)	(827,541)
Impairment losses on financial and contract assets, net		(289,041)	(175,636)
Other expenses		(16,773)	(1,744)
Finance costs	6	(245,956)	(232,058)
Share of profits and losses of:			
Joint ventures		87,170	14,700
Associates		315	3,232
PROFIT BEFORE TAX	7	914,388	769,920
Income tax expense	9	(106,836)	(104,344)
PROFIT FOR THE YEAR		807,552	665,576
Profit attributable to:			
Owners of the parent		786,535	658,085
Non-controlling interests		21,017	7,491
		807,552	665,576
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		435	(147)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Changes in fair value of equity investments designated at fair value through other comprehensive income		(450)	5,738
Remeasurement gains/(losses) on defined benefit plans, net of tax	29	4,370	(620)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		3,920	5,118
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		4,355	4,971
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		811,907	670,547

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
<hr/>			
Attributable to:			
Owners of the parent		790,890	663,056
Non-controlling interests		21,017	7,491
<hr/>			
		811,907	670,547
<hr/>			
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	<i>11</i>	0.58	0.49
<hr/>			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	31 December 2020 RMB' 000	31 December 2019 RMB' 000
NON-CURRENT ASSETS			
Property, plant and equipment	12	827,745	642,892
Goodwill	33	5,741	–
Right-of-use assets	13(a)	451,698	476,073
Intangible assets	14	405,552	102,215
Investments in joint ventures	15	1,640,923	1,066,393
Investments in associates	16	66,245	75,642
Financial assets at fair value through profit or loss	17	274,000	134,640
Equity investments designated at fair value through other comprehensive income	18	15,701	17,452
Deferred tax assets	19	241,944	181,725
Financial receivables	20	4,182,296	2,692,290
Contract assets	22	984,425	2,159,424
Prepayments, other receivables and other assets	24	271,604	237,172
Total non-current assets		9,367,874	7,785,918
CURRENT ASSETS			
Inventories	21	144,693	116,223
Trade and bills receivables	23	4,245,437	4,768,740
Prepayments, other receivables and other assets	24	556,795	1,010,712
Contract assets	22	2,375,617	2,370,703
Financial receivables	20	795,921	498,737
Pledged deposits	25	39,181	22,879
Cash and bank balances	25	3,533,993	3,884,935
Total current assets		11,691,637	12,672,929
CURRENT LIABILITIES			
Trade and bills payables	26	4,512,247	3,988,972
Other payables and accruals	27	4,699,552	5,734,357
Interest-bearing bank and other borrowings	28	558,553	576,354
Provisions for supplementary retirement benefits	29	3,600	3,750
Tax payable		48,360	22,884
Provision	30	4,357	4,812
Total current liabilities		9,826,669	10,331,129
NET CURRENT ASSETS		1,864,968	2,341,800
TOTAL ASSETS LESS CURRENT LIABILITIES		11,232,842	10,127,718

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

		31 December 2020 RMB' 000	31 December 2019 RMB' 000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	16,435	12,294
Interest-bearing bank and other borrowings	28	4,971,816	4,578,869
Provisions for supplementary retirement benefits	29	63,475	67,055
Other payables and accruals	27	366,839	320,746
Provision	30	66,204	51,869
Total non-current liabilities		5,484,769	5,030,833
Net assets		5,748,073	5,096,885
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	1,348,670	1,348,670
Reserves	32	4,101,440	3,483,614
Non-controlling interests		5,450,110	4,832,284
		297,963	264,601
Total equity		5,748,073	5,096,885

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital	Capital reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Special reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 31 December 2019 and 1 January 2020	1,348,670	734,496	5,738	-	314,991	(142)	2,428,531	4,832,284	264,601	5,096,885
Profit for the year	-	-	-	-	-	-	786,535	786,535	21,017	807,552
Other comprehensive income for the year:										
Remeasurement gains on defined benefit plans, net of tax	-	4,370	-	-	-	-	-	4,370	-	4,370
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	(450)	-	-	-	-	(450)	-	(450)
Exchange differences on translation of foreign operations	-	-	-	-	-	435	-	435	-	435
Total comprehensive income for the year	-	4,370	(450)	-	-	435	786,535	790,890	21,017	811,907
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	24,989	24,989
Purchase of non-controlling interests	-	914	-	-	-	-	-	914	(3,772)	(2,858)
Final 2019 dividend declared	-	-	-	-	-	-	(173,978)	(173,978)	-	(173,978)
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	(8,872)	(8,872)
Appropriation to statutory surplus reserve	-	-	-	-	69,328	-	(69,328)	-	-	-
Transfer to special reserve (note (i))	-	-	-	99,005	-	-	(99,005)	-	-	-
Utilisation of special reserve (note (i))	-	-	-	(99,005)	-	-	99,005	-	-	-
At 31 December 2020	1,348,670	739,780*	5,288*	-*	384,319*	293*	2,971,760*	5,450,110	297,963	5,748,073

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital RMB' 000	Capital reserve RMB' 000	Fair value reserve of financial assets at fair value through other comprehensive income RMB' 000	Special reserve RMB' 000	Statutory surplus reserve RMB' 000	Exchange fluctuation reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000	Non- controlling interests RMB' 000	Total equity RMB' 000
At 31 December 2018 and 1 January 2019	1,348,670	735,116	-	-	249,379	5	1,984,681	4,317,851	265,254	4,583,105
Profit for the year	-	-	-	-	-	-	658,085	658,085	7,491	665,576
Other comprehensive income for the year:										
Remeasurement losses on defined benefit plans, net of tax	-	(620)	-	-	-	-	-	(620)	-	(620)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	5,738	-	-	-	-	5,738	-	5,738
Exchange differences on translation of foreign operations	-	-	-	-	-	(147)	-	(147)	-	(147)
Total comprehensive income for the year	-	(620)	5,738	-	-	(147)	658,085	663,056	7,491	670,547
Final 2018 dividend declared	-	-	-	-	-	-	(148,623)	(148,623)	-	(148,623)
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	(8,144)	(8,144)
Appropriation to statutory surplus reserve	-	-	-	-	65,612	-	(65,612)	-	-	-
Transfer to special reserve (note (i))	-	-	-	91,275	-	-	(91,275)	-	-	-
Utilisation of special reserve (note (i))	-	-	-	(91,275)	-	-	91,275	-	-	-
At 31 December 2019	1,348,670	734,496*	5,738*	-*	314,991*	(142)*	2,428,531*	4,832,284	264,601	5,096,885

* The reserve accounts comprise the consolidated reserves of RMB4,101,440,000 (31 December 2019: RMB3,483,614,000) in the consolidated statement of financial position as at 31 December 2020.

Note:

- (i) In preparation of these consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2019 and 2020 respectively, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time, the corresponding amounts of special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB' 000	2019 RMB' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		914,388	769,920
Adjustments for:			
Finance costs	6	245,956	232,058
Foreign exchange differences, net	7	14,833	(7,773)
Interest income	5	(372,662)	(343,134)
Fair value gains of financial assets at fair value through profit or loss	5	(3,190)	–
Gains on disposal of financial assets at fair value through profit or loss	5	–	(2,198)
Share of profits of associates and joint ventures		(87,485)	(17,932)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition date in a step acquisition of a subsidiary	5	(12,881)	–
Depreciation of right-of-use assets	7	111,451	97,127
Depreciation of items of property, plant and equipment	7	50,465	74,394
Amortisation of intangible assets	7	7,541	2,715
Impairment of trade and bills receivables, net	7	208,611	126,053
Impairment/(reversal of impairment) of financial receivables, net	7	1,791	(18)
Impairment of other receivables, net	7	755	6,103
Impairment of contract assets, net	7	77,884	43,498
Provision/(reversal of provision) for foreseeable losses on contracts, net	7	1,996	(3,492)
Losses on disposal of items of property, plant and equipment and right-of-use assets, net	7	1,940	2
		1,161,393	977,323
Increase in inventories		(28,450)	(16,276)
Decrease/(increase) in contract assets		1,104,172	(783,585)
Decrease/(increase) in trade and bills receivables		316,064	(1,640,272)
Decrease/(increase) in prepayments, other receivables and other assets		632,606	(3,213)
(Increase)/decrease in financial receivables		(1,081,537)	171,283
Increase in pledged deposits		(10,312)	–
(Decrease)/increase in trade and bills payables		(189,353)	955,577
(Decrease)/increase in other payables and accruals		(1,086,457)	1,898,346
Increase/(decrease) in provision		11,884	(5,996)
Increase in provisions for supplementary retirement benefits		790	599
Cash flows from operations		830,800	1,553,786
Interest received		44,806	33,736
Income tax paid		(140,618)	(166,952)
Net cash flows from operating activities		734,988	1,420,570

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB' 000	2019 RMB' 000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(130,719)	(168,051)
Purchases of intangible assets		(265,998)	(103,904)
Purchases of financial assets at fair value through profit or loss		(136,170)	(249,640)
Addition of investments in associates and joint ventures		(487,360)	(953,214)
Addition of equity investments designated at fair value through other comprehensive income		(1)	(1,152)
Proceeds from disposal of items of property, plant and equipment and intangible assets		2,904	1,126
Proceeds from disposal of financial assets at fair value through profit or loss		–	117,198
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		1,130	–
Purchase of non-controlling interests		(2,858)	–
Dividends received from associates and joint ventures		193	1,109
Withdrawal of borrowings to a joint venture		–	99,907
Acquisition of subsidiaries, net of cash acquired		75,440	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months		958	(1,000)
Increase in pledged deposits		–	(1,666)
Net cash flows used in investing activities		(942,481)	(1,259,287)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(230,920)	(233,157)
Dividend paid to shareholders		(167,609)	(145,719)
Dividend paid to non-controlling shareholders		(7,075)	(9,445)
Principal portion of lease payments		(109,285)	(91,884)
New bank and other borrowings		760,989	673,958
Repayment of bank and other borrowings		(373,491)	(368,400)
Net cash flows used in financing activities		(127,391)	(174,647)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(334,884)	(13,364)
Cash and cash equivalents at beginning of year		3,883,735	3,892,376
Effect of exchange rate changes on cash and cash equivalents		(15,101)	4,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	3,533,750	3,883,735

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) began its operations in 1958 in the PRC as a state-owned professional survey and design institute founded specifically for the survey and design of Beijing Subway Line 1. Subsequent to a series of reorganisations, the Company was then converted into a joint stock company with limited liability and renamed as Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) on 28 October 2013. The Company’s H shares were issued and listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”) in July 2014.

The registered office address of the Company is 5 Fuchengmen North Street, Xicheng District, Beijing, the PRC.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- Design, survey and consultancy services for urban rail transit and urban rail transit related industrial and civil construction and municipal engineering projects;
- Construction contracting services for urban rail transit and the service concession arrangements under the build-operate-transfer (“BOT”) arrangements.

In the opinion of the directors of the Company (the “Directors”), the Company’s holding company and the ultimate holding company is Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司, “BUCG”), which is a state-owned enterprise.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. ("北京城建勘测設計研究院有限責任公司")		The PRC/Mainland China 3 May 1992	RMB30,000,000	100%	–	Surveying, designing and engineering exploration
Beijing Huan'an Engineering Inspection Co., Ltd. ("北京環安工程檢測有限責任公司")		The PRC/Mainland China 18 June 2008	RMB12,000,000	100%	–	Engineering consulting, monitoring and testing
China Metro Engineering Consulting Co., Ltd. ("中國地鐵工程諮詢有限責任公司")		The PRC/Mainland China 27 October 2006	RMB13,340,000	56.22%	–	Rail transit engineering consulting
Beijing Urban Construction Xingjie Commercial Operation Management Co., Ltd. ("北京城建興捷商業運營管理有限責任公司")		The PRC/Mainland China 21 November 2011	RMB500,000	100%	–	Property management
Beijing Urban Construction Xinjie Consulting Co., Ltd. ("北京城建信捷軌道交通工程諮詢有限公司")		The PRC/Mainland China 2 January 2004	RMB5,000,000	60%	40%	Rail transit engineering consulting
Beijing Urban Construction Zhikong Technology Co., Ltd. ("北京城建智控科技有限公司")		The PRC/Mainland China 10 October 2014	RMB30,000,000	60%	–	Technical consulting and technical services
Beijing Urban Construction Design (Hong Kong) Co., Ltd. ("北京城建設計(香港)有限公司")		The PRC/Hong Kong 5 January 2015	HKD3,000,000	100%	–	Advisory services

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Anhui Jingjian Capital Construction Investment Co., Ltd. ("安徽京建投資建設有限公司")		The PRC/Mainland China 12 May 2015	RMB500,000,000	88%	–	Construction project investment, construction and operation maintenance
Beijing Urban Rail Transit Construction Engineering Co., Ltd. ("北京城建軌道交通建設工程有限公司")		The PRC/Mainland China 21 September 2015	RMB300,000,000	100%	–	Construction contracting
Rail Transit Energy Conservation Beijing Engineering Research Center Co., Ltd. ("軌道交通節能北京市工程研究中心有限公司")		The PRC/Mainland China 20 August 2015	RMB10,000,000	60%	–	Engineering services and development, consulting
Guizhou Jingjian Capital Construction Investment Co., Ltd. ("貴州京建投資建設有限公司")		The PRC/Mainland China 22 June 2016	RMB360,000,000	75%	–	Construction project investment, construction and operation maintenance
Yunnan Jingjian Capital Construction Investment Co., Ltd. ("雲南京建投資建設有限公司")		The PRC/Mainland China 28 July 2016	RMB386,980,000	90%	–	Construction project investment, construction and operation maintenance
Beijing Urban Infrastructure Construction Investment Management Co., Ltd. ("北京城建基礎設施投資管理有限公司")		The PRC/Mainland China 19 May 2016	RMB100,000,000	100%	–	Investment management and consultancy services
Beijing Urban Construction Design Research Institute Co., Ltd. ("北京城建設計研究院有限公司")		The PRC/Mainland China 18 July 2016	RMB30,000,000	100%	–	Construction design
Beijing Jingjian Shuncheng Construction Investment Co., Ltd. ("北京京建順城建設投資有限公司")		The PRC/Mainland China 8 August 2017	RMB700,000,000	70%	–	Project investment and railway operation management

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Anjie Engineering Consultants Co., Ltd. ("北京安捷工程諮詢有限公司")		The PRC/Mainland China 25 January 2007	RMB5,000,000	30%	21%	Engineering services and development, consultancy services
Huangshan Jingjian Capital Construction Investment Co., Ltd. ("黃山京建投資建設有限公司")		The PRC/Mainland China 8 August 2018	RMB100,000,000	90%	–	Construction project investment, construction and operation maintenance
Jiangsu Jingjian Capital Construction Investment Co., Ltd. ("江蘇京建投資建設有限公司")		The PRC/Mainland China 19 September 2018	RMB50,000,000	90%	–	Construction project investment, construction and operation maintenance
Beijing Urban Construction Design & Development Group Guangzhou Construction Co., Ltd. ("北京城建設計發展集團廣州建設有限公司")		The PRC/Mainland China 22 November 2018	RMB10,000,000	100%	–	Construction contracting
Beijing Rail Transit Design and Research Institute Co., Ltd. ("北京市軌道交通設計研究院有限公司")	(i)	The PRC/Mainland China 15 November 2012	RMB10,000,000	50%	–	Construction design
Hunan Jingjian Capital Construction Investment Co., Ltd. ("湖南京建投資建設有限公司")	(ii)	The PRC/Mainland China 25 September 2020	RMB149,973,200	69.99%	–	Construction project investment, construction and operation maintenance

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Notes:

- (i) From 3 January 2020, the Company controlled Beijing Rail Transit Design and Research Institute Co., Ltd. Institute. More details are set out in note 33.
- (ii) On 25 September 2020, Hunan Jingjian Capital Construction Investment Co., Ltd. was established by the Company and Zhuzhou Public Transport Co., Ltd. (“株洲市公共交通有限責任公司”). The Company directly owned a 69.99% equity interest in the entity.

All the subsidiaries are limited liability companies.

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

2.1 BASIS OF PREPARATION

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 December 2020. The amendment did not have any significant impact on the financial position and performance of the Group as the reduction in the lease payments arising from the rent concessions was not significant for the year ended 31 December 2020.

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3, 5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRS Standard 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

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

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standard 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Except that the depreciation of certain items of machinery for shield tunnelling construction is calculated on the unit of production method, the depreciation of other property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.4%
Machinery	6.4%-9.7%
Production equipment	6.5%
Motor vehicles	9.5%-19.4%
Measurement and experimental equipment	9.5%-19.4%
Office equipment and others	9.5%-19.4%
Leasehold improvements	12.5%-33.3%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Estimated useful life

Purchased software	3-5 years
Operating concession	20 years
Backlog*	5 years

* On 3 January 2020, the Company acquired backlog as part of its step acquisition of Beijing Rail Transit Design and Research Institute Co., Ltd. More details are set out in note 33. It is amortised on the straight-line basis over the estimated useful life.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Buildings	7.7%-92.3%
Motor vehicles	20%-92.3%
Land	2.2%

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

(b) Lease liabilities

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements

The Group has entered into certain service concession arrangements with certain governmental authorities (the "Grantor"). The service concession arrangements are Build-Operate-Transfer (the "BOT") arrangements. Under the BOT arrangements, the Group carries out construction work of the urban infrastructures for the Grantor and receives in return a right to operate the urban infrastructures concerned for a specified period of time (the "Operation Period") in accordance with the pre-established conditions set by the Grantor, the urban infrastructures should be transferred to the Grantor with nil consideration at the end of the Operation Period.

Consideration given by the Grantors

A financial asset (financial receivable) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the Grantor for the construction service rendered and the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the Grantors contractually guarantee to pay the Group specified or determinable amounts even if the payment is contingent on the Group, ensuring that the infrastructure meets specified quality or efficiency requirements. The financial asset (financial receivable) is accounted for in accordance with the policy set out for loans and receivables under "Investments and other financial assets" below.

Construction or upgrade services

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

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

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

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

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

Construction services, design, survey and consultancy services

Revenue from the provision of construction and design, survey and consultancy services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

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

Other income

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

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

Contract assets

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

Contract liabilities

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

Contract costs

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

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

The cost of equity-settled transaction with employees for grants after 7 November 2002 is measured by reference to fair value at the date which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The functional currency of a certain overseas subsidiary is a currency other than RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into RMB at the exchange rate prevailing at the end of the reporting period and its statements of profit or loss are translated into RMB at the weighted average exchange rate for the year.

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

Employee benefits

Retirement benefits

(a) Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

(b) Annuity plan

The Group provides an annuity plan to the voluntary or eligible employees. Contributions are made based on a percentage of the voluntary or eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the plan. Under the plan, the Group has no further obligations beyond the contributions made.

(c) Supplementary retirement benefits

The Group also provides the following supplementary retirement benefits: (1) the retirement pension subsidies, medical benefits and other supplementary benefits to retirees who retired before 31 December 2012; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2012; and (3) the heating allowances to its employees upon their retirements. These supplementary retirement benefits are considered to be defined benefit plans as the Group is obligated to the above retirees and employees. The obligations recognised in the consolidated statement of financial position in respect of these defined benefit plans are the present value of the defined benefit obligations at the end of each reporting period. The defined benefit obligation is calculated by independent qualified actuaries using the projected unit credit method annually, or when any material changes in the plans and key assumptions will occur. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Re-measurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Retirement benefits (continued)

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under “administrative expenses” in the consolidated statement of profit or loss and other comprehensive income by analysis by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income

Termination benefits

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

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Accounting for service concession arrangements

The Group engages in certain service concession arrangements in which the Group carries out construction work of the urban infrastructures for the Grantor and receives in return a right to operate the urban infrastructures concerned in accordance with the pre-established conditions set by the Grantor. In accordance with IFRIC 12 *Service Concession Arrangements*, the urban infrastructures under the service concession arrangement are classified as financial assets or intangible assets. The Group recognises a financial receivable if it has an unconditional contractual right under the service concession arrangement to receive a determinable amount of payments during the concession period irrespective of the usage of the urban infrastructures. Whenever only part of the investment by the Group under these service concession arrangements is covered by a payment commitment from the grantors, it is recognised as a financial receivable up to the amount guaranteed by the grantors, and as an intangible asset for the balance.

Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

Judgement is also exercised in determining the fair value of the financial receivables. Discount rates, estimates of future cash flows and other factors are used in the valuation process.

Revenue from contracts with customers

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

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

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

Depreciation of certain items of machinery for shield tunnelling construction on the unit of production method

Cost of shield machinery is depreciated using the unit of production ("UOP") method. The calculation of the UOP rates of depreciation can fluctuate from initial estimates. This could generally result when there are significant changes in any of the factors or assumptions used in estimating the useful shield tunnelling production, notably changes in the assumptions used in determining the economic feasibility of the useful shield tunnelling production. The estimation of the useful shield tunnelling production of the asset is based on recent production, technical information and authoritative guidelines regarding the engineering criteria. Assessment of the UOP rates against the estimated useful shield tunnelling production is performed regularly.

Percentage of completion of construction and service works

The Group recognises revenue according to the percentage of completion of individual contracts of construction and service work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs. Due to the nature of the activity undertaken in construction contracting and contracts for services, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the percentage of completion of construction and service works. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Estimation of total budgeted costs and costs to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contracts for services, management refers to information such as (i) current offers from sub-contractors and suppliers, (ii) recent offers agreed with sub-contractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Estimation is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

Deferred tax assets

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

Provision for expected credit losses on trade receivables and contract assets

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's contract assets and trade receivables is disclosed in note 22 and note 23 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Determination of fair value of financial instruments

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is considered active if quoted market prices can conveniently and regularly be accessed from exchanges, securities dealers, brokers, industry groups, quote service providers or regulatory agencies, and the quoted prices represents actual or regular market transactions based on fair trade standards. The fair value of financial instruments in which there is no active market is recognised by valuation methods. The Group chooses various methods based on its judgements, and makes assumptions mainly based on the current market conditions at each reporting date.

Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. The key assumptions for pension obligations and sensitivity analysis of the discount rate are disclosed in note 29.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- (a) Design, survey and consultancy – this segment engages in the provision of services on designing, surveying and mapping, monitoring and consulting services in the engineering of urban rail transit, municipal management and construction; and
- (b) Construction contracting – this segment engages in the provision of services relating to urban rail transit and the service concession arrangements under the BOT arrangements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that unallocated interest income is excluded from such measurement.

Segment assets exclude deferred tax assets, unallocated cash and bank balances, unallocated pledged deposits as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and dividends payable as they are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Design, survey and consultancy RMB' 000	Construction contracting RMB' 000	Eliminations RMB' 000	Total RMB' 000
Segment revenue (note 5)				
Sales to external customers	3,666,892	6,317,999	–	9,984,891
Intersegment sales	19,579	–	(19,579)	–
Total revenue	3,686,471	6,317,999	(19,579)	9,984,891
Segment results				
Interest income	513,819	270,418	3,445	787,682
Finance costs	1,088	362,848	–	363,936
	(8,213)	(237,743)	–	(245,956)
Profit of segments for the year	506,694	395,523	3,445	905,662
Income tax expense				(106,836)
Unallocated interest income				8,726
Profit for the year				807,552
Segment assets				
Corporate and other unallocated assets	6,828,904	13,743,173	(1,536,326)	19,035,751
Total assets				2,023,760
Segment liabilities				
Corporate and other unallocated liabilities	6,669,188	10,121,734	(1,552,396)	15,238,526
Total liabilities				72,912
Other segment information				
Share of profits and losses of:				
Joint ventures	87,170	–	–	87,170
Associates	315	–	–	315
Depreciation	141,231	25,837	–	167,068
Amortisation	7,541	–	–	7,541
Provision for				
– foreseeable losses on contracts	1,994	2	–	1,996
– impairment of trade and bills receivables, financial receivables, other receivables, contract assets, net	168,488	120,553	–	289,041
Investments in joint ventures	1,640,923	–	–	1,640,923
Investments in associates	66,245	–	–	66,245
Capital expenditure*	303,393	321,120	–	624,513

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and right-of-use assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Design, survey and consultancy RMB' 000	Construction contracting RMB' 000	Eliminations RMB' 000	Total RMB' 000
Segment revenue (note 5)				
Sales to external customers	3,662,649	4,751,390	–	8,414,039
Intersegment sales	7,794	–	(7,794)	–
Total revenue	3,670,443	4,751,390	(7,794)	8,414,039
Segment results				
Interest income	533,971	123,759	(1,084)	656,646
Finance costs	2,149	326,121	–	328,270
Gains on disposal of financial assets at fair value through profit or loss	(10,922)	(221,136)	–	(232,058)
	2,198	–	–	2,198
Profit of segments for the year	527,396	228,744	(1,084)	755,056
Income tax expense				(104,344)
Unallocated interest income				14,864
Profit for the year				665,576
Segment assets				
Corporate and other unallocated assets	8,184,031	11,598,418	(1,299,711)	18,482,738
Total assets				20,458,847
Segment liabilities				
Corporate and other unallocated liabilities	6,574,263	10,010,018	(1,257,497)	15,326,784
Total liabilities				15,361,962
Other segment information				
Share of profits and losses of:				
Joint ventures	14,700	–	–	14,700
Associates	3,232	–	–	3,232
Depreciation	123,826	52,847	–	176,673
Amortisation	2,715	–	–	2,715
Provision for/(reversal of provision)				
– foreseeable losses on contracts	1,155	(4,647)	–	(3,492)
– impairment of trade and bills receivables, financial receivables, other receivables, contract assets, net	116,398	59,238	–	175,636
Investments in joint ventures	1,066,393	–	–	1,066,393
Investments in associates	75,642	–	–	75,642
Capital expenditure *	341,537	172,884	–	514,421

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
China	9,944,269	8,376,687
Other countries	40,622	37,352
	9,984,891	8,414,039

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	31 December	31 December
	2020	2019
	RMB' 000	RMB' 000
China	4,631,516	4,737,222

All the non-current assets are located in China. The non-current asset information above exclude financial assets and deferred tax assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2020, there was one customer of the Group from which the revenue accounted for over 10% of the Group's total revenue.

During the year ended 31 December 2019, there were two customers of the Group from which the revenue individually accounted for over 10% of the Group's total revenue.

Year ended 31 December 2020

	Design, survey and consultancy RMB' 000	Construction contracting RMB' 000	Total RMB' 000
Customer A	3,993	1,995,312	1,999,305

Year ended 31 December 2019

	Design, survey and consultancy RMB' 000	Construction contracting RMB' 000	Total RMB' 000
Customer A	214,032	893,618	1,107,650
Customer B	–	1,104,463	1,104,463
	214,032	1,998,081	2,212,113

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

5. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
<i>Revenue from contracts with customers</i>	9,971,846	8,410,660
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	4,948	943
Other lease payments, including fixed payments	8,097	2,436
	13,045	3,379
	9,984,891	8,414,039

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
Types of goods or services		
Design, survey and consultancy	3,658,795	3,660,213
Construction contracting and others	6,313,051	4,750,447
	9,971,846	8,410,660
Timing of revenue recognition		
Services transferred at a point in time	412,936	214,644
Services transferred over time	9,558,910	8,196,016
	9,971,846	8,410,660
Geographical markets		
China	9,931,224	8,373,308
Other countries	40,622	37,352
	9,971,846	8,410,660

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segment	Design, survey and consultancy RMB' 000	Construction contracting RMB' 000	Total RMB' 000
Revenue from contracts with customers			
External customers	3,658,795	6,313,051	9,971,846
Intersegment sales	19,579	–	19,579
	3,678,374	6,313,051	9,991,425
Intersegment adjustments and eliminations	(19,579)	–	(19,579)
Total revenue from contracts with customers	3,658,795	6,313,051	9,971,846

For the year ended 31 December 2019

Segment	Design, survey and consultancy RMB' 000	Construction contracting RMB' 000	Total RMB' 000
Revenue from contracts with customers			
External customers	3,660,213	4,750,447	8,410,660
Intersegment sales	7,794	–	7,794
	3,668,007	4,750,447	8,418,454
Intersegment adjustments and eliminations	(7,794)	–	(7,794)
Total revenue from contracts with customers	3,660,213	4,750,447	8,410,660

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Design, survey and consultancy services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon the progress of services and customer acceptance, except for new customers, where payment in advance is normally required.

Construction services

The performance obligations are satisfied over time in accordance with the progress of construction. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

	Note	Year ended 31 December	
		2020 RMB' 000	2019 RMB' 000
Other income and gains			
Interest income		372,662	343,134
Gain on remeasurement of the previously held interest in an acquiree at its acquisition date in a step acquisition of a subsidiary	33	12,881	–
Fair value gains of financial assets at fair value through profit or loss		3,190	–
Gains on disposal of financial assets at fair value through profit or loss		–	2,198
Government grants		4,991	12,942
Foreign exchange gains		–	7,773
Additional tax deduction for input VAT		2,673	14,697
Others		8,267	2,175
		404,664	382,919

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	Year ended 31 December	
		2020 RMB' 000	2019 RMB' 000
Interest on bank and other borrowings		234,712	222,582
Interest on lease liabilities	13(c)	11,244	9,476
		245,956	232,058

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December	
		2020 RMB' 000	2019 RMB' 000
Cost of design, survey and consultancy services		2,548,232	2,501,772
Cost of construction contracting services and others		5,540,132	4,233,070
Total cost of sales		8,088,364	6,734,842
Depreciation of property, plant and equipment	12/(a)	50,465	74,394
Depreciation of right-of-use assets	13(c)/(a)	111,451	97,127
Amortisation of intangible assets	14	7,541	2,715
Total depreciation and amortisation		169,457	174,236
Impairment of trade and bills receivables, net	23	208,611	126,053
Impairment/(reversal of impairment) of financial receivables, net	20	1,791	(18)
Impairment of other receivables, net	24	755	6,103
Impairment of contract assets, net	22	77,884	43,498
Provision/(reversal of provision) for foreseeable losses on contracts, net	30	1,996	(3,492)
Lease payments not included in the measurement of lease liabilities	(b)	197,844	112,381
Auditor's remuneration		3,380	5,558
Employee benefit expenses (excluding Directors' and supervisors' remuneration):	(c)		
Wages, salaries and allowances		1,450,880	1,416,345
Retirement benefit costs			
– Defined contribution retirement schemes		116,425	155,220
– Defined benefit retirement schemes	29	3,860	3,780
Total retirement benefit costs		120,285	159,000
Welfare and other expenses		230,189	235,250
Total employee benefit expenses		1,801,354	1,810,595
Interest income	5	(372,662)	(343,134)
Government grants	5	(4,991)	(12,942)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition date in a step acquisition of a subsidiary	5	(12,881)	–
Gains on disposal of financial assets at fair value through profit or loss	5	–	(2,198)
Losses on disposal of items of property, plant and equipment and right-of-use assets, net		1,940	2
Foreign exchange differences, net		14,833	(7,773)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

- (a) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB92,438,000 (2019: RMB97,205,000) was included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.
- (b) Lease payments not included in the measurement of lease liabilities of approximately RMB164,795,000 (2019: RMB84,881,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.
- (c) Employee benefit expenses of approximately RMB1,214,255,000 (2019: RMB1,223,205,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fees	697	725
Other emoluments:		
– Salaries, allowances and benefits in kind	1,099	1,125
– Performance-related bonuses	2,901	2,997
– Pension schemes	338	393
	5,035	5,240

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (continued)

Year ended 31 December 2020

Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Wang Hanjun (王漢軍) (Chief executive)	-	303	808	70	1,181
Mr. Li Guoqing (李國慶)	-	303	809	70	1,182
	-	606	1,617	140	2,363
Non-executive directors					
Mr. Pei Hongwei (裴宏偉)	-	-	-	-	-
Mr. Tang Shuchang (湯舒暢)	-	-	-	-	-
Ms. Wu Donghui (吳東慧)	-	-	-	-	-
Mr. Guan Jifa (關繼發)	-	-	-	-	-
Mr. Ren Yuhang (任宇航)	-	-	-	-	-
Mr. Su Bin (蘇斌)	-	-	-	-	-
Mr. Yu Xiaojun (郁曉軍)	(i)	-	-	-	-
Mr. Wang Tao (汪濤)	(ii)	-	-	-	-
Mr. Ren Chong (任崇)	-	-	-	-	-
	-	-	-	-	-
Independent non-executive directors					
Mr. Wang Dexing (王德興)	(iii)	94	-	-	94
Mr. Wang Guofeng (王國鋒)	(iv)	32	-	-	32
Mr. Ma Xufei (馬旭飛)	-	126	-	-	126
Mr. Sun Maozhu (孫茂竹)	-	126	-	-	126
Mr. Liang Qinghuai (梁青槐)	-	126	-	-	126
Mr. Qin Guisheng (覃桂生)	-	126	-	-	126
		630	-	-	630
Supervisors					
Ms. Nie Kun (聶崑)	-	-	-	-	-
Mr. Chen Rui (陳瑞)	-	-	-	-	-
Ms. Yang Huiju (楊卉菊)	-	180	397	70	647
Mr. Liu Hao (劉皓)	-	156	717	70	943
Mr. Ban Jianbo (班健波)	-	157	170	58	385
Mr. Hu Shengjie (胡聖傑)	-	-	-	-	-
Mr. Liang Wangnan (梁望南)	-	-	-	-	-
Mr. Zuo Chuanchang (左傳長)	-	67	-	-	67
		67	493	198	2,042
		697	1,099	338	5,035

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (continued)

Year ended 31 December 2019

	Fees RMB' 000	Salaries, allowances and benefits in kind RMB' 000	Performance- related bonuses RMB' 000	Pension schemes RMB' 000	Total remuneration RMB' 000
Executive directors					
Mr. Wang Hanjun (王漢軍) (Chief executive)	–	311	781	86	1,178
Mr. Li Guoqing (李國慶)	–	310	777	85	1,172
	–	621	1,558	171	2,350
Non-executive directors					
Mr. Shi Yubin (史育斌)	–	–	–	–	–
Mr. Pei Hongwei (裴宏偉)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)	–	–	–	–	–
Ms. Wu Donghui (吳東慧)	–	–	–	–	–
Mr. Guan Jifa (關繼發)	–	–	–	–	–
Mr. Ren Yuhang (任宇航)	–	–	–	–	–
Mr. Su Bin (蘇斌)	–	–	–	–	–
Mr. Yu Xiaojun (郁曉軍)	–	–	–	–	–
Mr. Ren Chong (任崇)	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Wang Dexing (王德興)	131	–	–	–	131
Mr. Yim Fung (閻峰)	131	–	–	–	131
Mr. Ma Xufei (馬旭飛)	–	–	–	–	–
Mr. Sun Maozhu (孫茂竹)	131	–	–	–	131
Mr. Liang Qinghuai (梁青槐)	131	–	–	–	131
Mr. Qin Guisheng (覃桂生)	131	–	–	–	131
	655	–	–	–	655
Supervisors					
Ms. Nie Kun (聶崑)	–	–	–	–	–
Mr. Chen Rui (陳瑞)	–	–	–	–	–
Ms. Yang Huiju (楊卉菊)	–	183	480	84	747
Mr. Liu Hao (劉皓)	–	161	724	82	967
Mr. Ban Jianbo (班健波)	–	160	235	56	451
Mr. Yuan Guoyue (袁國躍)	–	–	–	–	–
Ms. Zhao Hong (趙鴻)	–	–	–	–	–
Mr. Hu Shengjie (胡聖傑)	–	–	–	–	–
Mr. Liang Wangnan (梁望南)	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)	70	–	–	–	70
	70	504	1,439	222	2,235
	725	1,125	2,997	393	5,240

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and supervisors' remuneration (continued)

Notes:

- (i) Mr. Yu Xiaojun resigned as a Non-executive Director with effect from 10 October 2020.
- (ii) Mr. Wang Tao was appointed as a Non-executive Director with effect from 10 October 2020.
- (iii) Mr. Wang Dexing resigned as an Independent non-executive director with effect from 10 October 2020.
- (iv) Mr. Wang Guofeng was appointed as an Independent Non-executive Director with effect from 10 October 2020.

(b) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December	
	2020	2019
Non-director and non-supervisor employees	5	5

Details of the remuneration of the above non-director and non-supervisor highest paid employees are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,127	1,490
Performance-related bonuses	9,905	8,697
Pension schemes	352	408
	11,384	10,595

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Five highest paid employees (continued)

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

	Year ended 31 December	
	2020	2019
HK\$2,000,001 to HK\$2,500,000 (Equivalent to RMB1,683,281 to RMB2,104,100)	–	4
HK\$2,500,001 to HK\$3,000,000 (Equivalent to RMB2,104,101 to RMB2,524,920)	5	1

During the years ended 31 December 2020 and 2019, no directors, supervisors, and none of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and certain subsidiaries of the Company have been identified as “high and new technology enterprises” and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2020 and 2019 in accordance with the PRC Corporate Income Tax Law. A subsidiary of the Group has been identified as “software enterprises” and was entitled to a preferential income tax at a rate of 12.5% for the year ended 31 December 2019. Other entities within the Group in Mainland China were subject to corporate income tax at a statutory rate of 25%.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2020 and 2019.

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Current income tax – Mainland China		165,104	151,188
Deferred income tax	19	(58,268)	(46,844)
Tax charge for the year		106,836	104,344

9. INCOME TAX (CONTINUED)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December	
	2020 RMB' 000	2019 RMB' 000
Profit before tax	914,388	769,920
Income tax at the statutory income tax rate	228,597	192,480
Effect of different income tax rate for some entities	(67,070)	(73,025)
Tax effect of share of profits and losses of joint ventures and associates	(21,871)	(4,483)
Additional tax deduction for research and development expenditure	(31,406)	(18,254)
Expenses not deductible for tax purposes	4,193	3,298
Adjustments in respect of current tax of previous periods	525	(1,516)
Tax losses utilised from previous periods	(6,651)	–
Tax losses not recognised	519	5,844
Tax charge for the year at the effective rate	106,836	104,344

10. DIVIDENDS

The dividends during the years ended 31 December 2020 and 2019 are set out below:

	Notes	Year ended 31 December	
		2020 RMB' 000	2019 RMB' 000
Declared:			
Final dividend – RMB0.1290 (2018: RMB0.1102) per ordinary share	(i)	173,978	148,623
Proposed:			
Final dividend – RMB0.1568 (2019: RMB0.1290) per ordinary share	(ii)	211,471	173,978

Notes:

- (i) At the annual general meeting held on 10 October 2020, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2019 of RMB0.1290 per share which amounted to RMB173,978,000 and was settled in December 2020 and January 2021, respectively.
- (ii) On 26 March 2021, the board of directors proposed the payment of a final dividend of RMB0.1568 per ordinary share in respect of the year ended 31 December 2020, based on the issued share capital of the Company of 1,348,670,000 shares. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming general meeting.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	786,535	658,085

	Year ended 31 December	
	2020	2019
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	1,348,670	1,348,670

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Buildings RMB' 000	Machinery RMB' 000	Production equipment RMB' 000	Motor vehicles RMB' 000	Measurement and experimental equipment RMB' 000	Office equipment and others RMB' 000	Leasehold improvements RMB' 000	Construction in progress RMB' 000	Total RMB' 000
At 1 January 2020:	124,607	338,815	9,808	53,978	107,309	89,369	91,127	237,581	1,052,594
Cost									
Accumulated depreciation	(28,674)	(168,482)	(3,537)	(29,030)	(45,307)	(59,707)	(74,965)	-	(409,702)
Net carrying amount	95,933	170,333	6,271	24,948	62,002	29,662	16,162	237,581	642,892
At 1 January 2020, net of accumulated depreciation	95,933	170,333	6,271	24,948	62,002	29,662	16,162	237,581	642,892
Acquisition of a subsidiary (note 33)	-	-	-	456	-	927	-	-	1,383
Additions	-	-	5,766	1,101	20,521	29,786	44,602	134,507	236,283
Transfer	368,841	-	-	-	-	-	-	(368,841)	-
Disposals	-	-	-	(1,671)	-	(677)	-	-	(2,348)
Depreciation provided during the year (note 7)	(2,973)	(2,403)	(1,565)	(4,919)	(10,395)	(10,087)	(18,123)	-	(50,465)
At 31 December 2020, net of accumulated depreciation	461,801	167,930	10,472	19,915	72,128	49,611	42,641	3,247	827,745
At 31 December 2020:									
Cost	493,448	338,815	15,574	52,192	127,830	116,893	135,729	3,247	1,283,728
Accumulated depreciation	(31,647)	(170,885)	(5,102)	(32,277)	(55,702)	(67,282)	(93,088)	-	(455,983)
Net carrying amount	461,801	167,930	10,472	19,915	72,128	49,611	42,641	3,247	827,745

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2019

	Buildings RMB' 000	Machinery RMB' 000	Production equipment RMB' 000	Motor vehicles RMB' 000	Measurement and experimental equipment RMB' 000	Office equipment and others RMB' 000	Leasehold improvements RMB' 000	Construction in progress RMB' 000	Total RMB' 000
At 1 January 2019:									
Cost	124,607	356,055	8,109	51,043	92,873	85,295	83,196	54,128	855,306
Accumulated depreciation	(25,715)	(156,764)	(2,829)	(24,588)	(36,724)	(54,863)	(55,304)	-	(356,787)
Net carrying amount	98,892	199,291	5,280	26,455	56,149	30,432	27,892	54,128	498,519
At 1 January 2019, net of									
accumulated depreciation	98,892	199,291	5,280	26,455	56,149	30,432	27,892	54,128	498,519
Additions	-	-	1,902	3,725	14,435	8,449	7,931	183,453	219,895
Disposals	-	(548)	(12)	(394)	-	(173)	-	-	(1,127)
Depreciation provided during the year (note 7)	(2,959)	(28,409)	(899)	(4,838)	(8,582)	(9,046)	(19,661)	-	(74,394)
At 31 December 2019, net of									
accumulated depreciation	95,933	170,334	6,271	24,948	62,002	29,662	16,162	237,581	642,893
At 31 December 2019:									
Cost	124,607	338,815	9,808	53,978	107,309	89,369	91,127	237,581	1,052,594
Accumulated depreciation	(28,674)	(168,482)	(3,537)	(29,030)	(45,307)	(59,707)	(74,965)	-	(409,702)
Net carrying amount	95,933	170,333	6,271	24,948	62,002	29,662	16,162	237,581	642,892

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB6,119,000 as at 31 December 2020 (2019: RMB6,262,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2020.

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, motor vehicles and other equipment in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 44 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms of 13 months and 13 years, while motor vehicles generally have lease terms of 13 months and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Note	Leasehold land RMB' 000	Buildings RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
As at 1 January 2020		221,170	245,288	9,615	476,073
Acquisition of a subsidiary	33	–	14,929	–	14,929
Additions		–	99,641	722	100,363
Disposal		–	(22,386)	(678)	(23,064)
Depreciation charge		(5,152)	(106,323)	(5,128)	(116,603)
As at 31 December 2020		216,018	231,149	4,531	451,698
		Leasehold land RMB' 000	Buildings RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
As at 1 January 2019		226,322	151,736	11,527	389,585
Additions		–	190,678	5,992	196,670
Disposal		–	(7,903)	–	(7,903)
Depreciation charge		(5,152)	(89,223)	(7,904)	(102,279)
As at 31 December 2019		221,170	245,288	9,615	476,073

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	<i>Note</i>	2020 RMB' 000	2019 RMB' 000
Carrying amount at 1 January		233,092	126,721
Acquisition of a subsidiary		14,929	–
New leases		100,363	196,670
Disposal		(20,429)	(7,891)
Accretion of interest recognised	6	11,244	9,476
Payments		(109,285)	(91,884)
Carrying amount at 31 December		229,914	233,092
Portion classified as current liabilities		(83,521)	(84,700)
Non-current portion		146,393	148,392

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2020 RMB' 000	2019 RMB' 000
Interest on lease liabilities	11,244	9,476
Depreciation of right-of-use assets	111,451	97,127
Expense relating to short-term leases and other leases	47,063	38,912
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	150,781	73,469
Total amount recognised in profit or loss	320,539	218,984

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

13. LEASES (CONTINUED)

The Group as a lessor

The Group leases its equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB13,045,000 (2019: RMB3,379,000), details of which are included in note 5 to the financial statements.

At 31 December 2020 and 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Within one year	4,716	3,373

14. INTANGIBLE ASSETS

31 December 2020

	<i>Notes</i>	Purchased software RMB' 000	Operating concession RMB' 000	Backlog RMB' 000	Total RMB' 000
At 1 January 2020:					
Cost		31,479	95,684	–	127,163
Accumulated amortisation for the year		(24,942)	(6)	–	(24,948)
Net carrying amount		6,537	95,678	–	102,215
Cost at beginning of the year, net of accumulated amortisation		6,537	95,678	–	102,215
Acquisition of a subsidiary	33	2,354	–	21,000	23,354
Additions		3,111	284,756	–	287,867
Disposal		–	(343)	–	(343)
Amortisation provided during the year	7	(3,313)	(28)	(4,200)	(7,541)
At 31 December 2020		8,689	380,063	16,800	405,552
At 31 December 2020:					
Cost		36,944	380,063	21,000	438,007
Accumulated amortisation for the year		(28,255)	–	(4,200)	(32,455)
Net carrying amount		8,689	380,063	16,800	405,552

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

14. INTANGIBLE ASSETS (CONTINUED)

31 December 2019

	<i>Note</i>	Purchased software RMB' 000	Operating concession RMB' 000	Total RMB' 000
At 1 January 2019:				
Cost		29,308	–	29,308
Accumulated amortisation for the year		(22,234)	–	(22,234)
<hr/>				
Net carrying amount		7,074	–	7,074
<hr/>				
Cost at beginning of the year, net of accumulated amortisation		7,074	–	7,074
Additions		2,172	95,684	97,856
Amortisation provided during the year	7	(2,709)	(6)	(2,715)
<hr/>				
At 31 December 2019		6,537	95,678	102,215
<hr/>				
At 31 December 2019:				
Cost		31,479	95,684	127,163
Accumulated amortisation for the year		(24,942)	(6)	(24,948)
<hr/>				
Net carrying amount		6,537	95,678	102,215

As at 31 December 2020, the Group's intangible assets of RMB380,063,000 (2019: RMB94,538,000) were pledged to secure certain of the Group's bank loans amounting to RMB4,611,766,000 (2019: RMB4,225,173,000) (note 28).

15. INVESTMENTS IN JOINT VENTURES

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Share of net assets	1,640,923	1,066,393

The Group's receivable and payable balances with the joint ventures are disclosed in notes 22, 23, 24, 26 and 27 to the financial statements, respectively.

The above investments are directly held by the Company.

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. is considered a material joint venture of the Group in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. reconciled to the carrying amount in the consolidated financial statements:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Non-current assets	4,765,082	4,021,320
Current assets	1,243,295	506,710
Total assets	6,008,377	4,528,030
Current liabilities	949,763	1,159,920
Non-current liabilities	3,029,911	2,105,076
Total liabilities	3,979,674	3,264,996
Net assets	2,028,703	1,263,034
Proportion of the Group's ownership	78.28%	78.28%
Carrying amount of the investment	1,590,403	1,016,718

The aggregate financial information of the Group's joint ventures that are not individually material is set out below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Share of the joint ventures' profit/(loss) for the year	845	(3,406)
Share of the joint ventures' other comprehensive income	–	–
Share of the joint ventures' total comprehensive income/(loss)	845	(3,406)
Aggregate carrying amount of the Group's investments in the joint ventures	50,520	49,675

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

16. INVESTMENTS IN ASSOCIATES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Share of net assets	66,245	75,642

The Group's receivable and payable balances with the associates are disclosed in notes 22, 23, 24, 26 and 27 to the financial statements.

The Group's shareholdings in all of its associates comprise equity shares held by the Company, except for Zhongkan Sanjia Engineering Consulting (Beijing) Co., Ltd., the shareholding in which is held through a wholly-owned subsidiary of the Company.

The aggregate financial information of the Group's associates that are not individually material is set out below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Share of the associates' profit for the year	315	3,232
Share of the associates' other comprehensive income	-	-
Share of the associates' total comprehensive income	315	3,232

	31 December 2020 RMB'000	31 December 2019 RMB'000
Aggregate carrying amount of the Group's investments in the associates	66,245	75,642

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unlisted equity investment, at fair value		
Shaoxing Jingyue Metro Co., Ltd. ("紹興京越地鐵有限公司")	274,000	134,640

The above equity investment was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value profit or loss through other comprehensive income.

The Group provided design, survey and consultancy services to Shaoxing Jingyue Metro Co., Ltd. amounting to RMB19,076,000 (2019: RMB17,045,000) for the year ended 31 December 2020.

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020 RMB'000	31 December 2019 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Jiangsu Urban Rail Transit Design Research Institute Co., Ltd. ("江蘇城市軌道交通研究設計院股份有限公司")	4,500	4,400
Zhongdixin Geographic Information Equity Investment Fund Limited. ("中地信地理信息股權投資基金")	11,200	11,900
Zhongshan Shenshui Environmental Water Co., Ltd. ("中山市深水環境水務有限公司")	1	-
Qingdao West Coast Citizen Center Investment Construction Co., Ltd. ("青島西海岸市民中心投資建設有限公司")	-	1,152
	15,701	17,452

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2020 and 2019 are as follows:

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Deferred tax assets:			
At beginning of the year		181,725	128,537
Acquisition of a subsidiary	33	810	–
Deferred tax credited to profit or loss during the year	9	59,409	53,188
At end of the year		241,944	181,725
Deferred tax liabilities:			
At beginning of the year		12,294	4,038
Acquisition of a subsidiary	33	3,150	–
Deferred tax charged to profit or loss during the year	9	1,141	6,344
Deferred tax (credited)/charged to other comprehensive income during the year		(150)	1,912
At end of the year		16,435	12,294

19. DEFERRED TAX (CONTINUED)

The deferred tax assets and liabilities are attributed to the following items:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Deferred tax assets:		
Provision for impairment of receivables	156,255	114,332
Provision for impairment of contract assets	19,643	7,842
Provision for foreseeable losses on construction and service contracts	2,299	3,084
Provision of warranty	15,079	10,779
Lease liabilities	36,032	32,299
Accrued employee costs	10,849	10,652
Unrealised gains arising from intra-group transactions	19,313	17,010
Tax losses	17,598	17,672
Others	167	262
Gross deferred tax assets	277,235	213,932
Deferred tax liabilities:		
Excess of fair values of identifiable assets over carrying values arising from step acquisition of subsidiaries	2,520	–
Changes in fair value of other equity instruments	1,763	1,912
Right-of-use assets	37,250	35,763
Differences on depreciation of property, plant and equipment	10,193	6,826
Gross deferred tax liabilities	51,726	44,501

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

19. DEFERRED TAX (CONTINUED)

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	241,944	181,725
Net deferred tax liabilities recognised in the consolidated statement of financial position	(16,435)	(12,294)
	225,509	169,431

The Group has tax losses arising in Hong Kong of RMB9,286,000 (2019: RMB9,680,000) that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose.

The Group has tax losses arising in Mainland China of RMB118,189,000 (2019: RMB137,476,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be recognised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

20. FINANCIAL RECEIVABLES

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Receivables for service concession arrangements	4,983,200	3,194,219
Provision for impairment	(4,983)	(3,192)
Receivables for service concession arrangements, net	4,978,217	3,191,027
Portion classified as non-current assets	(4,182,296)	(2,692,290)
Current portion	795,921	498,737

The movements in provision for impairment of financial receivables are as follows:

		Year ended 31 December	
	<i>Note</i>	2020 RMB' 000	2019 RMB' 000
At beginning of the year		3,192	3,210
Impairment losses recognised	7	1,791	–
Impairment losses reversed	7	–	(18)
At end of the year		4,983	3,192

Receivables for service concession arrangements arose from the service concession contracts to build and operate urban infrastructures and were recognised to the extent that the Group has an unconditional contractual right to receive cash from the grantor.

Financial receivables were unbilled receivables. Financial receivables were mainly due from governmental authorities in Mainland China as grantors in respect of the Group's service concession arrangements.

At 31 December 2020, the Group's financial receivables of RMB4,978,217,000 (31 December 2019: RMB3,191,027,000) were pledged to secure certain of the Group's bank loans, amounting to RMB4,611,766,000 (31 December 2019: RMB4,225,173,000) (note 28).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

21. INVENTORIES

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Raw materials	137,891	107,327
Spare parts and consumables	6,802	8,896
	144,693	116,223

22. CONTRACT ASSETS

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Contract assets arising from:		
Design, survey and consultancy services	2,099,990	1,817,101
Construction contracting services	1,392,497	2,767,587
	3,492,487	4,584,688
Impairment	(132,445)	(54,561)
	3,360,042	4,530,127
Portion classified as non-current contract assets	<i>(i)</i> (984,425)	(2,159,424)
	2,375,617	2,370,703

Note:

- (i) The non-current portion of contract assets mainly represented the contract assets arising from service concession arrangements and retention money as at 31 December 2020 and 2019.

As at 31 December 2020 and 2019, the amounts of retentions held by customers for contract works included in contract assets were approximately as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Amounts of retentions in contract assets	120,953	179,079

22. CONTRACT ASSETS (CONTINUED)

Contract assets are initially recognised for revenue earned from the provision of design, survey and consultancy services and construction services as the receipt of consideration is conditional on successful progress of completion of design, survey and consultancy and construction, respectively. Upon the progress of completion of design, survey and consultancy or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

During the year ended 31 December 2020, RMB132,445,000 (2019: RMB54,561,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 23 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 and 2019 are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Within one year	2,375,617	2,370,703
After one year	984,425	2,159,424
Total contract assets	3,360,042	4,530,127

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

	<i>Note</i>	31 December 2020 RMB' 000	31 December 2019 RMB' 000
At beginning of the year		54,561	11,063
Impairment losses recognised	7	79,625	43,663
Impairment losses reversed	7	(1,741)	(165)
At end of the year		132,445	54,561

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

22. CONTRACT ASSETS (CONTINUED)

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

	31 December 2020	31 December 2019
Expected credit loss rate	3.79%	1.19%
	RMB' 000	RMB' 000
Gross carrying amount	3,492,487	4,584,688
Expected credit losses	132,445	54,561

As at 31 December 2020, the Group's contract assets of RMB930,043,000 (2019: RMB2,275,118,000) were pledged to secure certain of the Group's bank loans, amounting to RMB4,611,766,000 (2019: RMB4,225,173,000) (note 28).

The amounts due from the beneficial shareholders of the Company (the "Beneficial Shareholders"*) and their affiliates, BUCG, fellow subsidiaries and other related parties included in the contract assets are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Beneficial Shareholders and their affiliates	416,974	318,416
BUCG	14,001	60,691
Fellow subsidiaries	13,106	24,584
Associates of BUCG	1,450	3,568
Associates	1,350	3,111
A joint venture	94	227
A joint venture of BUCG	-	244
	446,975	410,841

* Pursuant to the capital injection agreement in May 2013, seven strategic investors contributed cash of RMB703 million to the Company. Thereafter, these strategic investors became the Beneficial Shareholders.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

23. TRADE AND BILLS RECEIVABLES

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Trade receivables	4,986,933	5,270,990
Bills receivable	24,529	49,761
	5,011,462	5,320,751
Impairment	(766,025)	(552,011)
	4,245,437	4,768,740

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to recognise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Within 6 months	2,190,933	2,739,788
6 months to 1 year	370,051	503,646
1 to 2 years	865,115	851,680
2 to 3 years	479,685	451,019
3 to 4 years	280,020	180,594
4 to 5 years	54,767	37,497
Over 5 years	4,866	4,516
	4,245,437	4,768,740

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

The movements in loss allowance for impairment of trade and bills receivables are as follows:

	<i>Note</i>	2020 RMB' 000	2019 RMB' 000
At beginning of the year		552,011	425,958
Acquisition of a subsidiary		5,403	–
Impairment losses recognised	7	235,468	130,161
Impairment losses reversed	7	(26,857)	(4,108)
At end of the year		766,025	552,011

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount RMB' 000	Expected credit losses RMB' 000
Individually impaired	59.13%	262,843	155,411
Collectively impaired			
Within 6 months	0.48%	2,028,502	9,728
6 months to 1 year	3.97%	327,174	12,977
1 to 2 years	9.27%	953,482	88,393
2 to 3 years	16.51%	720,655	118,997
3 to 4 years	30.04%	399,617	120,044
4 to 5 years	50.04%	107,768	53,922
5 to 6 years	90.04%	48,867	43,999
Over 6 years	100.00%	162,554	162,554
	12.86%	4,748,619	610,614
Total	15.29%	5,011,462	766,025

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2019

	Expected credit loss rate	Gross carrying amount RMB' 000	Expected credit losses RMB' 000
Individually impaired	86.93%	59,641	51,847
Collectively impaired			
Within 6 months	0.52%	2,754,224	14,437
6 months to 1 year	4.03%	523,252	21,107
1 to 2 years	9.32%	949,426	88,523
2 to 3 years	16.51%	522,696	86,281
3 to 4 years	29.96%	255,013	76,406
4 to 5 years	49.99%	74,986	37,489
5 to 6 years	89.59%	53,699	48,107
Over 6 years	100.00%	127,814	127,814
	9.51%	5,261,110	500,164
Total	10.37%	5,320,751	552,011

The amounts due from the Beneficial Shareholders and their affiliates, BUCG, joint ventures and other related parties included in the trade receivables are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Beneficial Shareholders and their affiliates	671,695	851,621
BUCG	232,169	162,000
Joint ventures	198,157	935,785
Fellow subsidiaries	34,842	23,104
An associate of BUCG	1,449	1,328
Associates	550	1,602
	1,138,862	1,975,440

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to other major customers of the Group, except for trade receivables of RMB101,883,000 of 31 December 2020 which were pledged to secure certain of the Group's bank loans amounting to RMB4,611,766,000 (note 28).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Note</i>	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Prepayments		268,005	709,170
Deductible value-added tax		370,597	329,659
Deposits and other receivables		214,702	233,205
		853,304	1,272,034
Impairment		(24,905)	(24,150)
		828,399	1,247,884
Portion classified as non-current assets	<i>(i)</i>	(271,604)	(237,172)
Current portion		556,795	1,010,712

Note:

- (i) The non-current portion of deposits and other receivables mainly represents deductible value-added tax at 31 December 2020 and 2019.

The movements in provision for impairment of deposits and other receivables are as follows:

	<i>Note</i>	2020 RMB' 000	2019 RMB' 000
At beginning of the year		24,150	18,047
Impairment losses recognised	7	7,834	8,107
Impairment losses reversed	7	(7,079)	(2,004)
At end of the year		24,905	24,150

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

As at 31 December 2020 and 2019, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rates applied as at 31 December 2020 and 2019 were as follows:

	31 December 2020	31 December 2019
Expected credit loss rate	11.60%	10.36%
Gross carrying amount (RMB'000)	214,702	233,205
Expected credit losses (RMB'000)	24,905	24,150

The amounts due from fellow subsidiaries, the Beneficial Shareholders and their affiliates, BUCG and other related parties included in the prepayments, other receivables and other assets are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Fellow subsidiaries	30,880	63,799
Beneficial Shareholders and their affiliates	2,218	–
BUCG	2,154	–
Associates of BUCG	264	63,888
A joint venture	119	68
Associates	–	1,741
	35,635	129,496

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement, except for the other receivables of RMB29,924,000 as at 31 December 2019 which were pledged to secure certain of the Group's bank loans amounting to RMB4,225,173,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Cash and bank balances	3,472,931	3,906,614
Time deposits	100,243	1,200
	3,573,174	3,907,814
Less: Pledged bank balances for bidding guarantees and performance guarantees	(39,181)	(22,879)
Cash and bank balances in the consolidated statement of financial position	3,533,993	3,884,935
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(243)	(1,200)
Cash and cash equivalents in the consolidated statement of cash flows	3,533,750	3,883,735
Cash and bank balances and time deposits denominated in:		
– RMB	3,335,768	3,653,197
– Other currencies	237,406	254,617
	3,573,174	3,907,814

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

26. TRADE AND BILLS PAYABLES

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Trade payables	4,377,140	3,912,654
Bills payable	135,107	76,318
	4,512,247	3,988,972

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

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Within 6 months	1,974,807	1,034,131
6 months to 1 year	741,565	1,464,399
1 to 2 years	769,076	888,624
2 to 3 years	595,326	216,594
Over 3 years	431,473	385,224
	4,512,247	3,988,972

Trade payables are non-interest-bearing and are normally settled within six to nine months.

The amounts due to associates of BUCG, fellow subsidiaries, the Beneficial Shareholders and their affiliates and other related parties included in the trade and bills payables are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Associates of BUCG	242,693	136,656
Fellow subsidiaries	62,456	65,135
Beneficial Shareholders and their affiliates	33,719	58,407
A joint venture	4,210	286
BUCG	3,153	4,071
An associate	814	13,852
	347,045	278,407

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

27. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Contract liabilities	<i>(i)</i>	3,350,536	4,526,406
Accrued salaries, wages and benefits		478,343	423,467
Other taxes payable		825,735	868,241
Retention payables		241,864	123,305
Dividend payables		8,117	387
Deferred revenue		23,384	19,474
Other payables		138,412	93,823
		5,066,391	6,055,103
Portion classified as non-current liabilities	<i>(ii)</i>	(366,839)	(320,746)
Current portion		4,699,552	5,734,357

Notes:

- (i) Contract liabilities include short-term advances received from customers and amounts due to contract customers. The change in contract liabilities in 2020 and 2019 was mainly due to the change in short-term advances received from customers and amounts due to contract customers in relation to the provision of design, survey and consultancy services and construction services at the end of the years.

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Short-term advances received from customers:		
Design, survey and consultancy services	525,600	592,611
Construction services	292,074	244,226
	817,674	836,837
Amounts due to contract customers:		
Design, survey and consultancy services	1,835,162	1,746,664
Construction services	697,700	1,942,905
	2,532,862	3,689,569
Total contract liabilities	3,350,536	4,526,406

- (ii) The non-current portion mainly represented output value-added tax and government grants at 31 December 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to the Beneficial Shareholders and their affiliates, a joint venture, fellow subsidiaries and other related parties included in other payables and accruals are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Beneficial Shareholders and their affiliates	472,538	518,639
A joint venture	345,921	1,587,822
Fellow subsidiaries	121,676	16,466
Associates of BUCG	80,836	50,609
BUCG	43,752	52,433
A non-controlling shareholder	10,310	10,310
Associates	4,278	5,135
	1,079,311	2,241,414

The other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of settlement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
Non-current						
Long term bank loans:						
– Secured (i)	4.42%-4.90%	2022-2042	4,367,423	4.42%-4.90%	2021-2042	3,852,477
Long term other borrowings:						
– Unsecured	3.98%-4.90%	2022-2026	458,000	3.98%-4.90%	2021-2026	578,000
Lease liabilities:						
– Secured (note 13(b))	4.75%-4.90%	2022-2035	146,393	4.75%-4.90%	2021-2032	148,392
			4,971,816			4,578,869
Current						
Current portion of long term bank loans:						
– Secured (i)	4.42%-4.90%	2021	244,343	4.42%-4.90%	2020	372,696
Short term bank loans:						
– Unsecured	3.915%-5.22%	2021	110,689	4.35%-6.525%	2020	118,958
Current portion of lease liabilities:						
– Secured (note 13(b))	4.75%-4.90%	2021	83,521	4.75%-4.90%	2020	84,700
Current portion of long term other borrowings:						
– Unsecured	4.90%	2021	120,000	–	–	–
			558,553			576,354
			5,530,369			5,155,223
Denominated in:						
– RMB			5,530,369			5,155,223

- (i) The bank loans of RMB4,611,766,000 (31 December 2019: RMB4,225,173,000) were secured by the right of future financial receivables, contract assets, trade receivables, other receivables and intangible assets for certain service concession arrangements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2020 and 2019 is as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Analysed into:		
Bank loans repayable:		
Within one year	355,032	491,654
In the second year	233,000	358,000
In the third to fifth years, inclusive	1,197,000	1,090,000
Over five years	2,937,423	2,404,477
	4,722,455	4,344,131
Other borrowings repayable:		
Within one year	120,000	–
In the second year	100,000	120,000
In the third to fifth years, inclusive	220,000	320,000
Over five years	138,000	138,000
	578,000	578,000
Lease liabilities repayable:		
Within one year	83,521	84,700
In the second year	52,284	60,535
In the third to fifth years, inclusive	82,294	67,250
Over five years	11,815	20,607
	229,914	233,092
	5,530,369	5,155,223

The interest-bearing borrowings from a non-controlling shareholder included in the above are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
A non-controlling shareholder	378,000	378,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

The Group has the following supplementary retirement benefits: (1) the retirement pension subsidies, medical benefits and other supplementary benefits to retirees who retired before 31 December 2012; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2012; and (3) the heating allowances to its employees upon their retirement. These supplementary retirement benefits are considered to be defined benefit plans as the Group is obligated to provide retirement benefits to those retirees and employees mentioned above.

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2020 and 2019 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅諮詢公司), using the projected unit credit actuarial valuation method.

The components of net benefit expenses recognised in profit or loss and the amounts recognised in the statement of financial position are recognised below:

- (a) The provisions for supplementary retirement benefits recognised in the statement of financial position are shown as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
At end of the year	67,075	70,805
Portion classified as current liabilities	(3,600)	(3,750)
Non-current portion	63,475	67,055

- (b) The movements of the provisions for supplementary retirement benefits are as follows:

	2020 RMB' 000	2019 RMB' 000
At beginning of the year	70,805	69,526
Interest costs on benefit obligations	2,410	2,370
Current service costs	1,450	1,410
Benefits paid during the year	(3,220)	(3,121)
Remeasurement (gains)/losses recognised in other comprehensive income	(4,370)	620
At end of the year	67,075	70,805

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

- (b) The movements of the provisions for supplementary retirement benefits are as follows: (continued)

The details of remeasurement (gains)/losses recognised in other comprehensive income of the Group during the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
Liability experience adjustments	(4,370)	620
Remeasurement (gains)/losses recognised in other comprehensive income	(4,370)	620

- (c) The net expenses recognised in profit or loss in respect of the provisions for supplementary retirement benefits of the Group are as follows:

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
Interest costs on benefit obligations	2,410	2,370
Current service costs	1,450	1,410
	3,860	3,780

- (d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Discount rates	3.50%	3.50%

Mortality rate	Average life expectancy of residents in Mainland China	
Average annual benefit increase:		
– Cost of living adjustment for internal retirees	4.00%	4.00%
– Medical expenses	8.00%	8.00%
– Withdrawal rate for actives	3.00%	3.00%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

- (d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2020 and 2019 are as follows: (continued)

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Average life expectancy	44.7 years	45.3 years

- (e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at 31 December 2020 and 2019 is as follows:

	Increase in rate %	Increase/ (decrease) in provisions for supplementary retirement benefits RMB'000	Decrease in rate %	Increase/ (decrease) in provisions for supplementary retirement benefits RMB'000
As at 31 December 2020				
Discount rate	0.25	(2,230)	(0.25)	2,360
Future medical expense	0.25	640	(0.25)	(610)
As at 31 December 2019				
Discount rate	0.25	(2,350)	(0.25)	2,490
Future medical expense	0.25	820	(0.25)	(780)

The sensitivity analysis above has been made based on a method that extrapolates the impact on the provisions for supplementary retirement benefits as a result of reasonable changes in key assumptions occurring at 31 December 2020 and 2019.

30. PROVISION

Provision of the Group for the current year contains provision for warranty and provision for foreseeable losses on contracts.

The Group provides regular maintenance ranging to its customers for construction products for general repairs of defects occurring during the warranty period under which faulty parts are repaired or replaced. The amount of the provision for the maintenance is estimated based on urban road technical maintenance norms and experience. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

As at 31 December 2020 and 2019, the provision for foreseeable losses on contracts was estimated using the percentage to be completed multiplied by foreseeable losses of the contract. The foreseeable losses are the differences between expenditure estimated fulfilling the contract and cash inflows when finishing the contract. The estimated expenditure and foreseeable cash inflows are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

30. PROVISION (CONTINUED)

	Year ended 31 December 2020		
	Provision for warranty RMB' 000	Provision for foreseeable losses on contracts RMB' 000	Total RMB' 000
At beginning of the year	43,114	13,567	56,681
Additional provision	17,245	1,996	19,241
Amounts utilised during the year	–	(5,361)	(5,361)
At end of the year	60,359	10,202	70,561
Portion classified as current liabilities	–	(4,357)	(4,357)
Non-current portion	60,359	5,845	66,204
	Year ended 31 December 2019		
	Provision for warranty RMB' 000	Provision for foreseeable losses on contracts RMB' 000	Total RMB' 000
At beginning of the year	25,869	40,300	66,169
Additional provision	17,245	1,155	18,400
Reversal of unutilised amounts	–	(4,647)	(4,647)
Amounts utilised during the year	–	(23,241)	(23,241)
At end of the year	43,114	13,567	56,681
Portion classified as current liabilities	–	(4,812)	(4,812)
Non-current portion	43,114	8,755	51,869

31. SHARE CAPITAL

Shares

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Registered, issued and fully paid:		
1,348,670,000 (2019: 1,348,670,000) ordinary shares	1,348,670	1,348,670

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity.

33. BUSINESS COMBINATION

The Company directly owned 40% of equity interest in Beijing Rail Transit Design and Research Institute Co., Ltd. ("Rail Transit Institute") but the voting power attached to the equity interest did not allow the Company to have the power to govern the financial and operating activities according to the article of Rail Transit Institute. On 3 January 2020, the Company signed a shareholders' voting agreement with Beijing Urban Rail Transit Consulting Co., Ltd. ("北京城市轨道交通諮詢有限公司"), which is another equity owner of Rail Transit Institute and the related party of the Company, whereby Beijing Urban Rail Transit Consulting Co., Ltd. has agreed to vote unanimously with the Company. On top of the shareholders' voting agreement, the Company controlled the operation of Rail Transit Institute by appointing senior management, approving the annual budget and determining the remuneration of senior management, etc. Considering the above mentioned factors, the Directors are of opinion that the Company controlled Rail Transit Institute from 3 January 2020. Therefore, the financial statements of Rail Transit Institute are consolidated by the Company since 3 January 2020.

The fair values of the identifiable assets and liabilities of Rail Transit Institute as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition RMB' 000
Property, plant and equipment	<i>12</i>	1,383
Right-of-use assets	<i>13(a)</i>	14,929
Intangible assets	<i>14</i>	23,354
Deferred tax assets	<i>19</i>	810
Contract assets		11,972
Inventories		21
Trade and bills receivables		14,340
Prepayments, other receivables and other assets		6,929
Pledged deposits		5,989
Cash and bank balances		75,440
Trade and bills payables		(30,015)
Other payables and accruals		(64,463)
Tax payable		(962)
Interest-bearing bank and other borrowings		(14,929)
Deferred tax liabilities	<i>19</i>	(3,150)
Total identifiable net assets at fair value		41,648
Non-controlling interests		(24,989)
Goodwill on acquisition		5,741
Investment in an associate before the step acquisition of a subsidiary		(9,519)
Gain on bargain purchase	<i>5</i>	12,881

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB100,363,000 (2019: RMB196,670,000) and RMB100,363,000 (2019: RMB196,670,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	Bank loans and other borrowings RMB' 000	Lease liabilities RMB' 000	Dividends payable RMB' 000	Interest payable RMB' 000
At 1 January 2020	4,922,131	233,092	387	–
Changes from financing cash flows	374,532	(109,285)	(174,684)	(230,920)
New leases	–	100,363	–	–
Acquisition of a subsidiary	–	14,929	–	–
Cancellation of leases	–	(20,429)	–	–
Interest expense	–	11,244	–	234,712
Final 2019 dividend declared	–	–	173,978	–
Dividend declared to non- controlling shareholders	–	–	8,872	–
Effect of exchange rate changes	–	–	(436)	–
Reclassification	3,792	–	–	(3,792)
At 31 December 2020	5,300,455	229,914	8,117	–
	Bank loans and other borrowings RMB' 000	Lease liabilities RMB' 000	Dividends payable RMB' 000	Interest payable RMB' 000
At 1 January 2019	4,606,625	–	1,984	20,523
Effect of adoption of IFRS 16	–	126,721	–	–
At 1 January 2019 (restated)	4,606,625	126,721	1,984	20,523
Changes from financing cash flows	305,558	(91,884)	(155,164)	(233,157)
New leases	–	196,670	–	–
Cancellation of leases	–	(7,891)	–	–
Interest expense	–	9,476	–	222,582
Final 2018 dividend declared	–	–	148,623	–
Dividend declared to non- controlling shareholders	–	–	8,144	–
Effect of exchange rate changes	–	–	(3,200)	–
Reclassification	9,948	–	–	(9,948)
At 31 December 2019	4,922,131	233,092	387	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

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

	2020 RMB' 000	2019 RMB' 000
Within operating activities	(168,891)	(100,969)
Within financing activities	(109,285)	(91,884)
	(278,176)	(192,853)

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for bidding guarantees and performance guarantees and interest-bearing bank loans are disclosed in note 14, note 20, note 22, note 23, note 24, note 25 and note 28 to the financial statements.

36. COMMITMENTS

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

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Contracted, but not provided for:		
Equity investments	2,617,582	3,657,648
Property, plant and equipment	13,362	221,665
	2,630,944	3,879,313

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

37. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020 RMB' 000	2019 RMB' 000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	438,358	352,235
BUCG	98,283	54,042
Fellow subsidiaries	19,821	24,013
Joint ventures	9,682	108
Associates	5,089	4,397
Associates of BUCG	2,816	18,419
A joint venture of BUCG	–	421
	574,049	453,635
Construction contracting services provided to:		
A joint venture	1,995,312	1,104,463
Beneficial Shareholders and their affiliates	1,194,800	1,263,072
Fellow subsidiaries	144,193	76,497
BUCG	94,983	263,529
Associates of BUCG	352	–
An associate	184	–
	3,429,824	2,707,561
Construction contracting services provided by:		
Associates of BUCG	510,154	138,928
Fellow subsidiaries	407,428	165,157
Beneficial Shareholders and their affiliates	39,996	64,995
BUCG	–	1,931
	957,578	371,011
Design, survey and consultancy services provided by:		
A joint venture	30,825	1,374
Associates of BUCG	15,160	1,988
Associates	15,012	26,876
Beneficial Shareholders and their affiliates	3,560	–
Fellow subsidiaries	3,481	689
BUCG	–	79
	68,038	31,006

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The Group had the following material transactions with related parties during the years ended 31 December 2020 and 2019: (continued)

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	12,539	12,539
BUCG	4,263	3,235
	16,802	15,774
Rental income from:		
A fellow subsidiary	4,723	2,364
Construction in progress provided by:		
Fellow subsidiaries	2,648	17,690
Finance costs paid or payable to:		
A non-controlling shareholder	18,522	21,842
An associate	–	79
	18,522	21,921
Interest income received or receivable from:		
A joint venture	–	1,598
	–	1,598

37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The Group had the following material transactions with related parties during the years ended 31 December 2020 and 2019: (continued)

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

On 3 January 2020, the Company signed a shareholders voting agreement with Beijing Urban Rail Transit Consulting Co., Ltd., which is another equity owner of Rail Transit Institute and the Beneficial Shareholders' affiliate of the Company, whereby Beijing Urban Rail Transit Consulting Co., Ltd. has agreed to vote unanimously with the Company. The Company controlled Rail Transit Institute from 3 January 2020. Therefore, the financial statements of Rail Transit Institute are consolidated by the Company since 3 January 2020.

On 9 March 2020, the Company acquired a 10% equity interest in Rail Transit Institute from BUCG, which is the Company's holding company. The purchase consideration for the acquisition was in the form of cash, with RMB2,858,000 paid at the acquisition date.

On 5 June 2020, the Company disposed of a 1% equity interest in Qingdao West Coast Citizen Center Investment Construction Co., Ltd. to BUCG, which is the Company's holding company. The purchase consideration for the disposal was in the form of cash, with RMB1,151,500 paid at the disposal date.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively, "State-owned Enterprises" ("SOEs")). During the years ended 31 December 2020 and 2019, the Group entered into extensive transactions with other SOEs, such as bank deposits, the rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machinery. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The Group had the following material transactions with related parties during the years ended 31 December 2020 and 2019: (continued)

The Company issued domestic shares of the scheme to several executive directors, supervisors and key management personnel on 29 December 2017. The details are as follows:

	Note	Employee stock ownership scheme	
		2020 RMB'000	2019 RMB'000
Executive Directors			
Mr. Wang Hanjun (王漢軍) (Chief executive)		1,000	1,000
Mr. Li Guoqing (李國慶)		1,000	1,000
		2,000	2,000
Key management personnel			
Mr. Yang Xiuren (楊秀仁)		750	750
Ms. Cheng Yan (成硯)		350	350
Mr. Wan Xuehong (萬學紅)	(i)	750	750
Mr. Jin Huai (金淮)		750	750
Mr. Wang Liang (王良)		750	750
Mr. Yu Songwei (于松偉)		750	750
Mr. Xiao Mujun (肖木軍)		750	750
Mr. Liu Li (劉立)		750	750
Mr. Xuan Wenchang (玄文昌)		750	750
Mr. Ma Haizhi (馬海志)		660	660
Mr. Yin Zhiguo (尹志國)		620	620
		7,630	7,630

Note:

- (i) Mr. Wan Xuehong retired from the Company in January 2020.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In the opinion of the Directors, the related party transactions below shall also constitute continuing connected transactions under Chapter 14A of the Listing Rules:

	Year ended 31 December	
	2020	2019
	RMB' 000	RMB' 000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	414,000	120,100
BUCG	98,283	54,042
Fellow subsidiaries	19,821	24,013
Associates of BUCG	795	11,222
A joint venture of BUCG	–	421
	532,899	209,798
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	1,194,800	369,454
Fellow subsidiaries	144,193	76,497
BUCG	94,983	263,529
	1,433,976	709,480
Construction contracting services provided by:		
Fellow subsidiaries	407,428	165,157
The Beneficial Shareholder and its affiliates	39,996	64,995
An associate of BUCG	1,067	–
BUCG	–	1,931
	448,491	232,083
Design, survey and consultancy services provided by:		
Fellow subsidiaries	3,481	689
Beneficial Shareholders and their affiliates	3,560	–
BUCG	–	79
	7,041	768
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	12,539	12,539
BUCG	4,263	3,235
	16,802	15,774

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) In the opinion of the Directors, the related party transactions below shall also constitute continuing connected transactions under Chapter 14A of the Listing Rules: (continued)

The board of directors of the Company was notified by Beijing Investment Company, a substantial shareholder of the Company, that a merger and restructuring was conducted between Beijing Investment Company and MTR Corporation on 4 August 2020, pursuant to which, MTR Corporation was transferred to Beijing Investment Company on 30 June 2020.

From 30 June 2020 to 31 December 2020, the revenue generated from providing design, survey and consultancy services to MTR Corporation and its affiliates was RMB145,942,000. Among which, the revenue of RMB1,159,000 was generated from the new contracts signed after 30 June 2020, and the revenue of RMB144,783,000 was generated from the contracts signed before 30 June 2020.

From 30 June 2020 to 31 December 2020, the revenue generated from providing construction contracting services to MTR Corporation and its affiliates was RMB465,928,000. Among which, the revenue of RMB29,053,000 was generated from the new contracts signed after 30 June 2020, and the revenue of RMB436,875,000 was generated from the contracts signed before 30 June 2020.

From 30 June 2020 to 31 December 2020, the Company incurred design, survey and consultancy services fee for the services provided by MTR Corporation's affiliate at an amount of RMB2,880,000 according to the contracts signed between the Company and MTR Corporation's affiliate before 30 June 2020.

In January 2021, MTR Corporation completed the industrial and commercial change, and in February 2021, MTR Corporation completed the change of state-owned property registration certificate.

- (c) **Outstanding balances with related parties**

Details of the outstanding balances with related parties are set out in notes 22, 23, 24, 26, 27 and 28 to the financial statements.

- (d) **Compensation of key management personnel of the Group**

Further details of the directors' and the supervisors' emoluments are included in note 8 to the financial statements.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Short term employee benefits	8,789	9,265
Pension scheme	664	903
	9,453	10,168

- (e) **Commitments with related parties**

As at 31 December 2020, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

Pursuant to certain construction contracts signed by the Company and BUCG, certain Beneficial Shareholders and their affiliates and a joint venture, the Company was engaged in the build of certain subways and the backlog as at 31 December 2020 amounting to RMB4,111 million (31 December 2019: RMB5,270 million).

37. RELATED PARTY TRANSACTIONS (CONTINUED)**(e) Commitments with related parties (continued)**

Pursuant to certain design service contracts signed by the Company and certain Beneficial Shareholders and their affiliates and BUCG, the Company was engaged in the design of certain subways and industrial and civil construction and municipal engineering, and the backlog as at 31 December 2020 amounting to RMB1,643 million (31 December 2019: RMB1,398 million).

Pursuant to certain construction contracts signed by the Company and fellow subsidiaries and associates of BUCG, the Company was engaged in the purchase of construction contracting services, and the backlog as at 31 December 2020 amounting to RMB487 million (31 December 2019: RMB1,240 million).

Pursuant to certain design service contracts signed by the Company and a joint venture and an associate, the Company was engaged in the purchase of design, survey and consultancy services, and the backlog as at 31 December 2020 amounting to RMB8 million (31 December 2019: RMB23 million).

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2020 RMB'000
Financial assets	
Financial assets at fair value through profit or loss :	
Financial assets at fair value through profit or loss	274,000
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	15,701
Financial assets at amortised cost:	
Trade and bills receivables	4,245,437
Financial receivables	4,978,217
Financial assets included in contract assets	1,005,566
Financial assets included in prepayments, other receivables and other assets	189,797
Pledged deposits	39,181
Cash and bank balances	3,533,993
	14,281,892
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	5,530,369
Trade and bills payables	4,512,247
Financial liabilities included in other payables and accruals	388,393
	10,431,009

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December
2019
RMB'000

Financial assets

Financial assets at fair value through profit or loss :	
Financial assets at fair value through profit or loss	134,640
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	17,452
Financial assets at amortised cost:	
Trade and bills receivables	4,768,740
Financial receivables	3,191,027
Financial assets included in contract assets	2,275,374
Financial assets included in prepayments, other receivables and other assets	209,055
Pledged deposits	22,879
Cash and bank balances	3,884,935
	<hr/>
	14,504,102

Financial liabilities

Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	5,155,223
Trade and bills payables	3,988,972
Financial liabilities included in other payables and accruals	217,515
	<hr/>
	9,361,710

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	31 December		31 December	
	2020	2019	2020	2019
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Financial assets				
Financial assets at fair value through profit or loss	274,000	134,640	274,000	134,640
Equity investments designated at fair value through other comprehensive income	15,701	17,452	15,701	17,452
Financial receivables	4,978,217	3,191,027	4,930,262	3,138,462
Financial assets included in contract assets	1,005,566	2,275,374	1,000,738	2,280,313
Financial assets included in prepayments, other receivables and other assets, non-current portion	22,417	22,589	21,528	21,660
	6,295,901	5,641,082	6,242,229	5,592,527
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	4,825,423	4,430,477	4,645,128	4,260,906
Financial liabilities included in other payables and accruals, non-current portion	6,892	7,493	6,734	6,755
	4,832,315	4,437,970	4,651,862	4,267,661

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade and bills payables, the current portion of financial assets included in prepayments, other receivables and other assets, the current portion of financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with senior management twice a year for interim and annual financial reporting.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

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

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

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

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, the financial receivables, contract assets and the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

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

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)**Fair value hierarchy**

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

Assets measured at fair value:**31 December 2020**

	Fair value measurement using			Total RMB' 000
	Quoted prices in active markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000	
Financial assets at fair value through profit or loss:				
Unlisted equity investments	–	–	274,000	274,000
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	15,701	15,701
	–	–	289,701	289,701

31 December 2019

	Fair value measurement using			Total RMB' 000
	Quoted prices in active markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000	
Financial assets at fair value through profit or loss:				
Unlisted equity investments	–	–	134,640	134,640
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	17,452	17,452
	–	–	152,092	152,092

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

31 December 2020

	Fair value measurement using			Total RMB' 000
	Quoted prices in active markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000	
Financial receivables	–	4,930,262	–	4,930,262
Financial assets included in contract assets	–	1,000,738	–	1,000,738
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	21,528	–	21,528
	–	5,952,528	–	5,952,528

31 December 2019

	Fair value measurement using			Total RMB' 000
	Quoted prices in active markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000	
Financial receivables	–	3,138,462	–	3,138,462
Financial assets included in contract assets	–	2,280,313	–	2,280,313
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	21,660	–	21,660
	–	5,440,435	–	5,440,435

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

31 December 2020

	Fair value measurement using			Total RMB' 000
	Quoted prices in active markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000	
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	–	4,645,128	–	4,645,128
Financial liabilities included in other payables and accruals, non-current portion	–	6,734	–	6,734
	–	4,651,862	–	4,651,862

31 December 2019

	Fair value measurement using			Total RMB' 000
	Quoted prices in active markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000	
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	–	4,260,906	–	4,260,906
Financial liabilities included in other payables and accruals, non-current portion	–	6,755	–	6,755
	–	4,267,661	–	4,267,661

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, pledged deposits and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

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

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to profit or loss as incurred.

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

	Increase/ (decrease) in basis point	Increase/(decrease) in profit before tax	
		2020	2019
		RMB' 000	RMB' 000
Market interest rates	1%	(40,707)	(39,268)
Market interest rates	(1%)	40,707	39,268

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, it is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and bank balances and pledged deposits at the end of the reporting period are disclosed in note 25 to the financial statements.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollars, Hong Kong dollars and RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax	
		2020	2019
		RMB' 000	RMB' 000
If RMB weakens against the United States dollar	5%	14,109	15,055
If RMB strengthens against the United States dollar	(5%)	(14,109)	(15,055)
If RMB weakens against the Hong Kong dollar	5%	2	2
If RMB strengthens against the Hong Kong dollar	(5%)	(2)	(2)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and has applied the exposure to foreign currency risk to bank deposits denominated in United States dollars and Hong Kong dollars in existence at that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Total RMB' 000
	Stage 1 RMB' 000	Stage 2 RMB' 000	Stage 3 RMB' 000	Simplified approach RMB' 000	
Contract assets*	–	–	–	3,492,487	3,492,487
Trade and bills receivables*	–	–	–	5,011,462	5,011,462
Financial assets included in prepayments, other receivables and other assets					
– Normal**	187,477	17,239	9,986	–	214,702
Financial receivables	4,983,200	–	–	–	4,983,200
Pledged deposits					
– Not yet past due	39,181	–	–	–	39,181
Cash and bank balances					
– Not yet past due	3,533,993	–	–	–	3,533,993
	8,743,851	17,239	9,986	8,503,949	17,275,025

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

As at 31 December 2019

	12-month ECLs		Lifetime ECLs		Total RMB' 000
	Stage 1 RMB' 000	Stage 2 RMB' 000	Stage 3 RMB' 000	Simplified approach RMB' 000	
Contract assets*	–	–	–	4,584,688	4,584,688
Trade and bills receivables*	–	–	–	5,320,751	5,320,751
Financial assets included in prepayments, other receivables and other assets					
– Normal**	204,087	21,905	7,213	–	233,205
Financial receivables	3,194,219	–	–	–	3,194,219
Pledged deposits					
– Not yet past due	22,879	–	–	–	22,879
Cash and bank balances					
– Not yet past due	3,884,935	–	–	–	3,884,935
	7,306,120	21,905	7,213	9,905,439	17,240,677

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

As at 31 December 2020, the financial assets classified to stage 2 of lifetime ECLs are other receivables with a gross carrying amount of approximately RMB9,986,000 (2019: RMB7,213,000). As they are fully impaired, the net carrying amount is nil.

As the Group's major customers are either PRC government agencies at the national, provincial and local levels or other State-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) **Credit risk (continued)**

Concentrations of credit risk are managed by customer and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of Group's trade receivables are widely dispersed in different regions.

(d) **Liquidity risk**

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

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

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2020			
Interest-bearing bank and other borrowings	558,553	4,971,816	5,530,369
Interest payments on bank and other borrowings	253,095	1,126,669	1,379,764
Trade and bills payables	4,512,247	–	4,512,247
Financial liabilities included in other payables and accruals	381,503	7,564	389,067
	5,705,398	6,106,049	11,811,447
31 December 2019			
Interest-bearing bank and other borrowings	576,354	4,578,869	5,155,223
Interest payments on bank and other borrowings	232,977	1,009,566	1,242,543
Trade and bills payables	3,988,972	–	3,988,972
Financial liabilities included in other payables and accruals	210,022	7,563	217,585
	5,008,325	5,595,998	10,604,323

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of reporting periods are as follows:

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
Interest-bearing bank and other borrowings	5,530,369	5,155,223
Trade and bills payables	4,512,247	3,988,972
Financial liabilities included in other payables and accruals	388,393	217,515
Cash and bank balances	(3,533,993)	(3,884,935)
Pledged deposits	(39,181)	(22,879)
Net debt	6,857,835	5,453,896
Total equity	5,748,073	5,096,885
Capital and net debt	12,605,908	10,550,781
Gearing ratio	54%	52%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

41. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 10 to the financial statements, the board of directors of the Company proposed on 26 March 2021, a final dividend of RMB0.1568 per share in respect of the year ended 31 December 2020. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
NON-CURRENT ASSETS		
Property, plant and equipment	551,645	386,562
Right-of-use assets	326,269	377,130
Intangible assets	3,324	3,474
Investments in subsidiaries	1,980,322	1,818,595
Investments in joint ventures	1,556,552	1,069,192
Investments in associates	49,755	59,322
Equity investments designated at fair value through other comprehensive income	4,501	5,552
Deferred tax assets	109,456	97,316
Contract assets	–	69,689
Prepayments, other receivables and other assets	14,878	16,140
Total non-current assets	4,596,702	3,902,972
CURRENT ASSETS		
Inventories	36,273	42,427
Trade and bills receivables	2,350,340	3,323,268
Prepayments, other receivables and other assets	719,880	833,062
Contract assets	1,823,573	1,720,165
Pledged deposits	6,236	7,407
Cash and bank balances	2,305,702	2,403,744
Total current assets	7,242,004	8,330,073

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

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

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

	31 December 2020 RMB' 000	31 December 2019 RMB' 000
CURRENT LIABILITIES		
Trade payables	2,953,457	2,604,710
Other payables and accruals	3,807,589	4,971,806
Interest-bearing bank and other borrowings	43,994	55,220
Provisions for supplementary retirement benefits	2,920	3,020
Tax payable	29,372	2,846
Provision	4,291	3,876
Total current liabilities	6,841,623	7,641,478
NET CURRENT ASSETS	400,381	688,595
TOTAL ASSETS LESS CURRENT LIABILITIES	4,997,083	4,591,567
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,635	3,246
Interest-bearing bank and other borrowings	56,774	80,349
Provisions for supplementary retirement benefits	48,214	51,474
Other payables and accruals	18,770	18,989
Provision	4,500	7,410
Total non-current liabilities	129,893	161,468
Net assets	4,867,190	4,430,099
EQUITY		
Share capital	1,348,670	1,348,670
Reserves (<i>note</i>)	3,518,520	3,081,429
Total equity	4,867,190	4,430,099

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2020

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

Note:

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

	Capital reserve RMB' 000	Statutory surplus reserve RMB' 000	Special reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000
As at 1 January 2019 (restated)	727,599	249,379	–	1,614,521	2,591,499
Profit for the year	–	–	–	638,811	638,811
Other comprehensive loss	(258)	–	–	–	(258)
Total comprehensive income/(loss) for the year	(258)	–	–	638,811	638,553
Final 2018 dividend declared	–	–	–	(148,623)	(148,623)
Appropriation to statutory surplus reserve	–	65,612	–	(65,612)	–
Transfer to special reserve	–	–	44,205	(44,205)	–
Utilisation of special reserve	–	–	(44,205)	44,205	–
As at 31 December 2019	727,341	314,991	–	2,039,097	3,081,429
Profit for the year	–	–	–	606,884	606,884
Other comprehensive income	4,185	–	–	–	4,185
Total comprehensive income for the year	4,185	–	–	606,884	611,069
Final 2019 dividend declared	–	–	–	(173,978)	(173,978)
Appropriation to statutory surplus reserve	–	69,328	–	(69,328)	–
Transfer to special reserve	–	–	53,055	(53,055)	–
Utilisation of special reserve	–	–	(53,055)	53,055	–
At 31 December 2020	731,526	384,319	–	2,402,675	3,518,520

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.