Annual Report 2021

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

CONTENTS

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
"Beijing Investment Company"	Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司)
"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 2021
"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.bjucd.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 2021 (continuing operations and discontinued operation), the Group achieved revenue of RMB10,488 million, while the net profit for the Reporting Period amounted to RMB834 million.

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

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

	For the year ended 31 December			
	2021 RMB'000	Percentage of operating revenue (%)	2020 RMB'000	Percentage of operating revenue (%)
Design, survey and consultancy	**4,102,495**	**39.12**	3,666,892	36.72
Construction contracting	**6,385,615**	**60.88**	6,317,999	63.28
Total	**10,488,110**	**100.00**	9,984,891	100.00

For the year ended 31 December 2021, the Group's revenue amounted to RMB10,488 million, representing an increase of RMB503 million or 5.04% compared to the same period of last year.

The financial information for the years 2017, 2018, 2019, 2020 and 2021 prepared by the Group in accordance with the International Financial Reporting Standards was summarized as follows:

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	**24,227,932**	21,059,511	20,458,847	16,402,288	14,341,844
Total liabilities	**17,875,771**	15,311,438	15,361,962	11,819,183	10,158,526
Non-controlling interests	**266,682**	297,963	264,601	265,254	262,742
Interests of the owners (excluding non-controlling interests)	**6,085,479**	5,450,110	4,832,284	4,317,851	3,920,576
Revenue	**10,488,110**	9,984,891	8,414,039	7,186,146	6,972,545
Gross Profit	**2,010,397**	1,896,527	1,679,197	1,423,801	1,343,218
Profit before tax	**965,396**	914,388	769,920	686,932	608,755
Profit attributable to owners of the parent	**851,827**	786,535	658,085	562,382	495,919

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of the Group, I am pleased to present the annual results for 2021.

2021 embraced the 100 anniversary of the founding of the Communist Party of China and the first year of the "14th Five-Year Plan" period. It represented a historic joint and new start. Facing up to the changes and the epidemic unprecedented in the past century, as well as the complex internal and external situations, severe challenges and arduous tasks, Beijing Urban Construction Design & Development Group adhered to the general principle of seeking progress while maintaining stability, took the initiative to adapt to the new development pattern, played an active role in the implementation of national strategies and the development of the capital city, advanced in the direction of high-quality development, focused on its main responsibilities and principal businesses, and coordinated the promotion of production and operation and various work for epidemic prevention and control, and exerted diligent efforts to forge ahead, making a promising start for the "14th Five-Year Plan" period. As of 31 December 2021, the annual revenue was RMB10,488 million, with a net profit of RMB834 million. The Group witnessed improvement in all major operating indicators on the basis of stability, with the strength of rail transit in the whole industry chain taking shape, thereby further improving the core competitiveness and integrated competence of the Company.

2022 is a crucial year for the implementation of the "14th Five-Year Plan". Beijing Urban Construction Design & Development Group will remain committed to our strategy, strengthen the implementation of strategies, always strive to seek progress while maintaining stability, look upon new opportunities and new challenges in the new development stage with dialectical thinking, and, in the course of serving the development of the country and the capital, strive to 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, 25 March 2022

GENERAL MANAGER'S STATEMENT

2021 was the beginning year of the "14th Five-Year Plan" period. The Group devoted itself to the model featuring lead by design, industry coordination and driven by innovation, and expanded in depth along the entire industrial chain of rail transit, to drive the synergetic growth of all business units, thereby enabling the Company to maintain a stable development momentum and make new achievements in high-quality development.

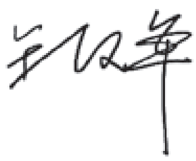
Remarkable achievements were made in business expansion with the market share reaching a new high level. Our position in the rail transit design industry continued to be solid, and we obtained the overall design contracting projects for 8 lines; various achievements were made in the survey market, and the rail transit survey business ranked the first in China in terms of the domestic market share; civil construction and municipal businesses continued to expand in width and depth; new achievements were also made in international orders. We recorded a growth in the overall engineering contracting market on the basis of stability, and made new breakthroughs in diversified operation. New impetus were injected into the investment and financing business as we successfully won the bid for the Bishan-Tonglian Line project in Chongqing, the first domestic rail transit project implemented under the PPP+TOD mode, thereby contributing to the development of the Chengdu-Chongqing economic circle. The scientific and technological industrialization brought about new vitalities, and a number of products were applied into the market. The member enterprises rushed to the fore and continued to take the lead in industry segments.

Production and contract performance were promoted in a coordinated manner, and the service capability was continuously enhanced. Major design and consultancy projects were guaranteed, and 15 "commencement guaranteed" projects including the Winter Olympics branch line commenced operation as scheduled, bringing rails to more cities; the first urban light rail commenced operation in Vietnam, the southwest section of the third transfer line of the Moscow Metro commenced operation, successfully completed the overall visual and exhibition design tasks for the China International Fair for Trade in Services, demonstrating the excellent design capability of Chinese enterprises on the international stage; the construction of key projects was advanced in an orderly manner, and the Youyou Lake Cultural and Tourism Block of East Huangshan International Town officially opened, drawing a new picture of Mount Huangshan of oriental aesthetics; the operation and maintenance projects were fully up to standards, with Zhuzhou Smart Rail setting a benchmark in the light and medium-volume transportation industry, and Kunming Metro Line 4 providing high-quality services to help the citizens of Kunming travel better.

Technological innovation continued to be upgraded, and our influence in the industry was significantly enhanced. Our scientific research strength continued to grow, the national engineering laboratory passed the evaluation and acceptance, the studios of well-known experts were established, and two experts were selected as national engineering survey and design masters. New steps were taken in product incubation, and major progress was made in the incubation projects such as subway operation and maintenance systems based on big data. We won 1 National Science and Technology Progress Award and 7 National Quality Engineering Awards, and actively assumed industry responsibilities, all contributing to the continuous improvement of our corporate brand awareness.

The management and control of the headquarters were upgraded and empowered, and the quality and efficiency are improved through a multi-pronged approach. The integration of rail transit resources was advanced in an orderly manner, and the market layout was further optimized. With a strong financial guarantee, we debuted in the bond market for the first time and established a financing structure of "bond + loan + bill". The refined management continued to deepen, and the measures to tap the potential and improve the quality were implemented and began to generate positive effects, and the operating results rose steadily. Solid efforts were exerted on the talent-related work, and we ranked the first in Beijing in terms of the increase in the number of senior engineers at professor level.

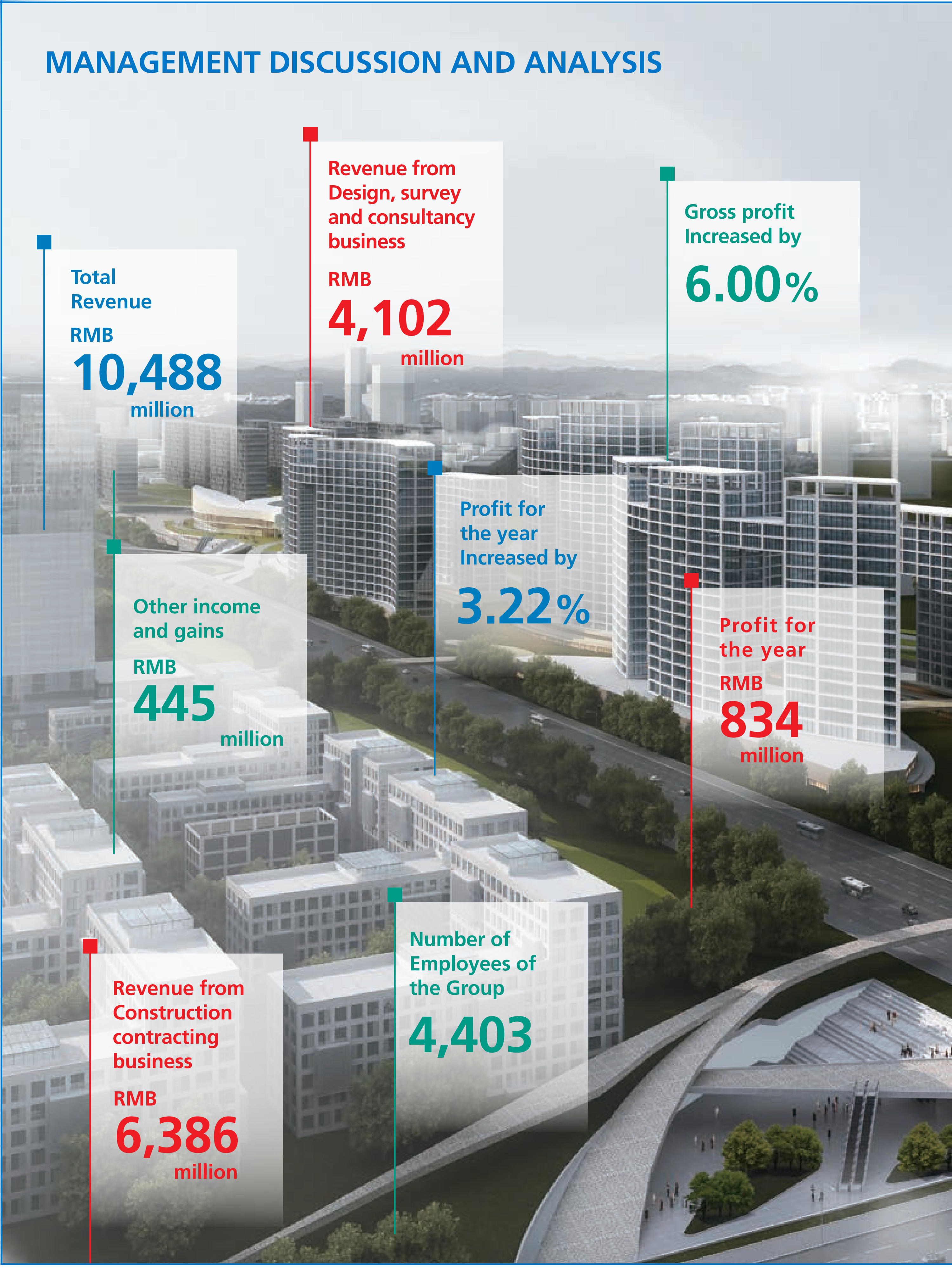
2022 is a critical year for the high-quality development of the Group. We will adhere to the general working principle of "seeking progress while maintaining stability", continue to expand survey and design consulting business and strengthen overall engineering contracting business, actively expand new business, focus on business synergy along the entire industry chain, integrate advantageous resources, optimize market layout, and consolidate management from the foundation, and coordinate and promote the conduct of various work, thereby ensuring the steady growth in various business indicators, and making every effort to promote the development of the Group to a new and higher level!



Wang Hanjun
General Manager

Beijing, 25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS



Total Revenue
RMB **10,488** million

Revenue from Design, survey and consultancy business
RMB **4,102** million

Gross profit Increased by
6.00%

Other income and gains
RMB **445** million

Profit for the year Increased by
3.22%

Profit for the year
RMB **834** million

Revenue from Construction contracting business
RMB **6,386** million

Number of Employees of the Group
4,403

SUMMARY

In 2021, the Design & Development Group conscientiously implemented the various work arrangements of the Board, adhered to the strategy of design-oriented, industry-coordinated, and innovation-driven development, and expanded in depth around the entire industrial chain of rail transit to drive the coordinated growth of various businesses, thereby maintaining a steady development momentum.

As of 31 December 2021, the Group's revenue amounted to RMB10,488 million, representing an increase of RMB503 million or 5.04% compared to RMB9,985 million for last year. The Group's net profit amounted to RMB834 million, representing an increase of RMB26 million or 3.22% compared to the net profit of RMB808 million for last year.

DISCONTINUED OPERATIONS

Given the "discloseable transaction and connected transaction relating to the capital increase in Beijing Urban Construction Zhikong Technology Co., Ltd. ("**BUCZT**") and deemed disposal of shareholding interests of BUCZT" passed by poll at the Group's 2021 first extraordinary general meeting on 29 December 2021, upon the completion of such disposal, the shareholding percentage of the Group would reduce from 60% to approximately 30.83%, and BUCZT would be no longer a subsidiary of the Company. On 4 January 2022, BUCZT completed the corresponding procedures. For further details on the capital increase, please refer to the announcement dated 10 November 2021 and the circular dated 10 December 2021 of the Company.

FINANCIAL REVIEW

SUMMARY OF OPERATING RESULTS

	Year ended 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
	(Audited)	(Audited)
Revenue	**10,488,110**	9,984,891
Cost of sales	**(8,477,713)**	(8,088,364)
Gross profit	**2,010,397**	1,896,527
Other income and gains	**445,413**	404,664
Selling and distribution expenses	**(99,911)**	(78,777)
Administrative expenses	**(926,885)**	(843,741)
Impairment losses on financial and contract assets, net	**(383,577)**	(289,041)
Other expenses	**(16,607)**	(16,773)
Finance costs	**(286,662)**	(245,956)
Share of profits of joint ventures	**225,449**	87,170
Share of (losses)/profits of associates	**(2,221)**	315
Profit before tax	**965,396**	914,388
Income tax expense	**(131,163)**	(106,836)
Profit for the year	**834,233**	807,552

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 engineering construction. For the year ended 31 December 2021, the Group achieved a revenue of RMB10,488 million, representing an increase of RMB503 million or 5.04% compared to RMB9,985 million for last year. The primary reason of such increase is that the Company adhered to design leadership and investment pulling, promoted the entire industrial chain layout of urban rail transit and resource synergy, vigorously expanded the scope of design, survey and consultancy segment, strengthened the overall promotion of production and contract performance, and continuously enhanced its service capabilities, driving the Company's revenue to grow steadily, with a view to ensuring the completion of major projects, such as the Winter Olympics branch line, bid 03 of Beijing Line 11, bid 05 of Line 14, bids 19 and 24 of Line 17, on schedule.

An analysis of revenue by segment is as follows:

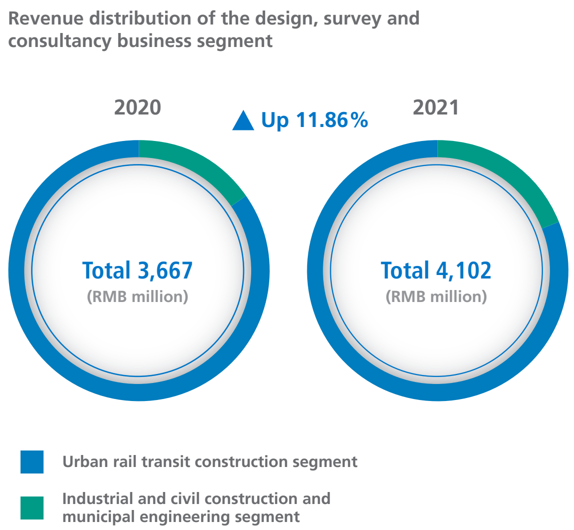
	Year ended 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Products by industry	**(Audited)**	(Audited)
Design, survey and consultancy	**4,102,495**	3,666,892
Construction contracting	**6,385,615**	6,317,999
Total	**10,488,110**	9,984,891

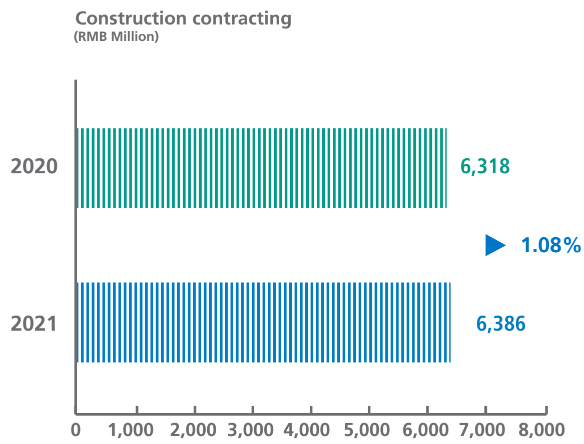
DESIGN, SURVEY AND CONSULTANCY BUSINESS SEGMENT

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 2021, 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 domestic and overseas cities, and improved the influence of its urban construction brand. In 2021, the Company won the bids and signed contracts for 8 overall design projects in Hangzhou, Ningbo, Wuhan, Zhengzhou, Qingdao, Jinan and Beijing, thereby continuing to consolidate its position in the rail transit design industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the year ended 31 December 2021, revenue of the design, survey and consultancy segment of the Group amounted to RMB4,102 million, representing an increase of RMB435 million or 11.86% compared to RMB3,667 million for the corresponding period in 2020. Among which, the revenue of the urban rail transit construction segment amounted to RMB3,215 million, representing an increase of RMB407 million or 14.49% compared to RMB2,808 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal engineering segment amounted to RMB887 million, representing an increase of RMB28 million or 3.26% compared to RMB859 million for the corresponding period of last year.





CONSTRUCTION CONTRACTING BUSINESS SEGMENT

For the construction contracting business segment, in 2021, the Company won the bids for various projects including the bids 05 and 12 of Beijing Rail Transit Line 22, and the underground space integration project in Lize Business District, with various major projects completed on schedule, including Beijing Winter Olympics branch line, bid 03 of Beijing Line 11, bid 05 of Line 14, and bids 19 and 24 of Line 17, further consolidating its position in the Beijing market. The Company also actively explored external markets, and promoted the high-quality implementation of the projects in hand, with contracted projects covering various cities such as Beijing, Guangzhou, Nanjing, Urumqi, Suzhou, Wuhan, Zhuzhou and Zhengzhou.

For the year ended 31 December 2021, the Group's revenue from the construction contracting business segment was RMB6,386 million, representing an increase of RMB68 million or 1.08% compared to RMB6,318 million for the corresponding period of last year, with the overall commencement construction volume of the projects under construction basically the same with the previous year.

COST OF SALES

For the year ended 31 December 2021, the cost of sales incurred by the Group was RMB8,478 million, representing an increase of RMB390 million compared to RMB8,088 million for the corresponding period of last year. The increase of 4.82% in cost against the increase of 5.04% in revenue was mainly attributable to the enhanced cost control of the Company and the relatively higher proportion of revenue from the design business segment.

For the year ended 31 December 2021, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,855 million for the year from RMB2,548 million for the corresponding period of last year, representing an increase of 12.05%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB2,187 million for the year from RMB1,925 million for the corresponding period of last year, representing an increase of 13.61%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment increased to RMB668 million for the year from RMB623 million for the corresponding period of last year, representing an increase of 7.22%.

For the year ended 31 December 2021, the cost of sales of the Group's construction contracting segment increased to RMB5,623 million for the year from RMB5,540 million for the corresponding period of last year, representing an increase of 1.50%, higher than the increase of 1.08% in revenue.

GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2021, the gross profit of the Group was RMB2,010 million, representing an increase of RMB113 million or 5.96% compared to RMB1,897 million for the corresponding period of last year, while the consolidated gross margin slightly increased to 19.16% from 19.00% for the corresponding period of last year.

OTHER INCOME AND GAINS

For the year ended 31 December 2021, other income and gains of the Group were RMB445.41 million, representing an increase of RMB40.75 million or 10.07% compared to RMB404.66 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 2021, selling and distribution expenses of the Group were RMB99.91 million, representing an increase of RMB21.13 million or 26.82% compared to RMB78.78 million for the corresponding period of last year, which was attributable to the greater efforts exerted by the Company in exploring the business opportunities in the suburban railway, intercity express and light rail markets, resulting in a corresponding increase in selling expenses.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2021, administrative expenses of the Group were RMB926.89 million, representing an increase of RMB83.15 million or 9.85% compared to RMB843.74 million for the corresponding period of last year. Such increase was mainly attributable to the increase in administrative expenses resulting from increased investment in research and development in 2021.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS, NET

For the year ended 31 December 2021, the impairment losses on financial assets and contract assets of the Group amounted to RMB383.58 million, representing an increase of RMB94.54 million or 32.71% as compared to RMB289.04 million for the corresponding period of last year, which was mainly due to the increase in impairment losses on contract assets.

OTHER EXPENSES

For the year ended 31 December 2021, other expenses of the Group were RMB16.61 million, representing a decrease of RMB0.16 million compared to RMB16.77 million for the corresponding period of last year, which was mainly attributable to the decrease in other expenses resulting from the decreased losses on disposal of assets.

FINANCE COSTS

For the year ended 31 December 2021, finance costs of the Group were RMB286.66 million, representing an increase of RMB40.70 million or 16.55% compared to RMB245.96 million for the corresponding period of last year, which was mainly attributable to the increase in interest expenses resulting from the increased financing of the Group.

INCOME TAX EXPENSE

For the year ended 31 December 2021, the income tax expense of the Group was RMB131.16 million, representing an increase of RMB24.32 million or 22.76% as compared to RMB106.84 million for the corresponding period of last year, which was mainly attributable to the increase in the deferred income tax charges.

PROFIT FOR THE YEAR

For the year ended 31 December 2021, the profit of the Group for the year was RMB834 million, representing an increase of RMB26 million or 3.22% compared to RMB808 million for the corresponding period of last year.

CASH FLOWS

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

	Year ended 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
	(Audited)	(Audited)
Net cash inflows from operating activities	**303,658**	734,988
Net cash outflows from investing activities	**(763,646)**	(942,481)
Net cash inflows/(outflows) from financing activities	**1,028,899**	(127,391)
Net increase/(decrease) in cash and cash equivalents	**568,911**	(334,884)

The net cash inflows from operating activities in 2021 was RMB304 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 RMB764 million, which was mainly attributable to the increased investment of RMB130 million to joint ventures and associates, an expenditure of RMB279 million for acquisition of fixed assets and intangible assets and the borrowings of RMB204 million provided to related parties. The net cash inflows from financing activities was RMB1,029 million, which was mainly due to the issuance of medium notes and super short-term financing bonds of RMB1.3 billion in total by the Company, the receipt of long-term bank borrowings of RMB499 million and RMB320 million for PPP projects of Huangshan Jingjian Capital Construction Investment Co., Ltd. and Hunan Jingjian Capital Construction Investment Co., Ltd. during the year, respectively, the receipt of short-term bank borrowings and discount payments for bank notes of RMB194 million by Beijing Urban Rail Transit Construction Engineering Co., Ltd. and BUCZT during the year, the repayment of borrowings and interest expenses of approximately RMB941 million and the payment of dividends to shareholders of approximately RMB228 million for the year.

PLEDGE OF ASSETS

For the year ended 31 December 2021, the contract assets and financial receivables, trade receivables and intangible assets of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 31 December 2021, the net pledged receivables and intangible assets were RMB7,024 million (as at 31 December 2020: RMB6,390 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2021, there are no significant contingent liabilities of the Group.

CAPITAL COMMITMENT

The capital commitments of the Group as at 31 December 2021 and 31 December 2020 were as follows:

	31 December 2021 (RMB'000) (Audited)	31 December 2020 (RMB'000) (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**7,310**	13,362
Equity investments	**2,836,570**	2,617,582

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 2021, the net current assets of the Group were RMB1,404 million, among which cash and cash equivalents amounted to RMB4,086 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.

For the year ended 31 December 2021, the Group's interest-bearing bank and other borrowings were RMB7,182 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 31 December 2021 divided by the total equity as at 31 December 2021) was 113.07%.

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 31 December 2021 and 31 December 2020. The Group generally settles the borrowings on time.

	31 December 2021 (RMB'000) (Audited)	31 December 2020 (RMB'000) (Audited)
Bank borrowings		
Pledged	**5,302,309**	4,611,766
Non-pledged	**99,388**	110,689
Other borrowings		
Non-pledged	**1,464,873**	578,000
Lease liabilities		
Non-pledged	**315,751**	229,914
	7,182,321	5,530,369

As at 31 December 2021, the Group's borrowings were denominated in RMB with interest rates ranging from 2.95% to 5.11%.

The table below sets forth the maturity of the Group's debts as at 31 December 2021 and 31 December 2020:

	31 December 2021 (RMB'000) (Audited)	31 December 2020 (RMB'000) (Audited)
Within one year	**2,363,745**	558,553
In the second year	**421,467**	385,284
In the third to fifth years, inclusive	**2,385,349**	1,499,294
Over five years	**2,011,760**	3,087,238
Total	**7,182,321**	5,530,369

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 capital increase in BUCZT had been considered and approved at the general meeting of BUCZT on 4 January 2022. After the completion of the capital increase, the shareholding percentage of the Company in BUCZT reduced from 60% to approximately 30.83%, and BUCZT was no longer a subsidiary but an associate of the Company.

COMPANY-WIDE MANAGEMENT MEASURES IN 2022

In 2022, the Company will continue to seek growth while maintaining stability. In line with the overall development objectives for the "14th Five-Year" period, the Company will strive to seize the new opportunities brought by the new infrastructure construction in China, adhere to philosophy of design-oriented, industry-coordinated, and innovation-driven development, further expand the design and consultancy business, strengthen the overall engineering contracting business, actively expand new business, focus on business synergy along the entire industry chain, integrate advantageous resources, optimize market layout, and consolidate management from the foundation to steadily promote the high-quality development of the Design & Development Group.

THE COMPANY'S SPECIFIC MANAGEMENT MEASURES IN 2022 INCLUDE THE FOLLOWING FIVE AREAS:

1. *SPARING NO EFFORT TO EXPAND DESIGN AND CONSULTANCY BUSINESS WITH GREATER PERFORMANCE*

   In terms of rail transit design business, the Company will give full play to the core advantages of rail transit, gather all forces to focus on economically developed areas such as the Beijing-Tianjin-Hebei area, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Economic Circle, and focus all efforts on the urban rail transit market. In particular, the Company will follow up the network planning, construction planning and feasibility study in Nanjing, Hangzhou, Chongqing and Dalian, and keep an eye on the existing rail transit reconstruction market to capture market opportunities in advance. In terms of civil construction and municipal design business, the Company will give full play to the advantages in residential design characteristics and increase market share from multiple dimensions; deeply cultivate market segments such as military-civilian integration, EPC design, cultural tourism, TOD, transportation hubs, and national land planning; extend the survey, design and consultancy business by encouraging cross-segment designs and track international market trends, and steadily implement international business.

2. *FULLY PROMOTING THE EXPLORATION OF THE ENGINEERING CONSTRUCTION MARKET*

The Company will strive for development by centering on the market, and will resolutely develop beyond Beijing to intensify the marketing efforts in the key areas of the Greater Bay Area, Jinan, Qingdao, Wuhan and Suzhou, with a view to capturing more market shares with all efforts. Besides, the Company will actively develop the EPC market in the field of light rail and modern trams, adjust the marketing model flexibly, strengthen external cooperation, and strive for more market orders.

3. *ACTIVELY CULTIVATING NEW BUSINESS*

The Company will adhere to the principle of "integration of investment, construction and operation", continue to adapt to market demand, spare no effort to expand the markets of suburban railways and intercity express lines; accelerate the exploration of the market potential of urban renewal, smart engineering, ecological environment restoration, water environment management, new cultural creation and other businesses; innovate in investment and financing models, carry out deeper research on the revitalization and refinancing of the assets in stock, and actively promote the application of integrated, module-based and assembly-based technologies.

4. *EXERTING GREATER EFFORTS ON INNOVATION-DRIVEN DEVELOPMENT TO CREATE NEW GROWTH POINTS FOR THE DEVELOPMENT OF THE COMPANY*

The Company will keep market-oriented, support scientific and technological industrialization, and strive for more technological breakthroughs in the fields of new transportation, comprehensive energy conservation for subways, carbon emission peak and carbon neutrality, green construction, underground space, traffic emergency and digital engineering; strengthen external cooperation, build new platforms, and expand the innovative industrial cluster centered on national engineering research centers, thereby striving to make new achievements in the aspects of innovation platform applications, establishment of major scientific research projects, invention patents and standard formulation.

5. *COMPREHENSIVELY UPGRADING MANAGEMENT MEASURES TO ENSURE THE LEAP-FORWARD DEVELOPMENT OF THE COMPANY*

The Company will implement in depth the action of "Three Reductions, One Decrease and One Promotion (三降一減一提升)" (namely to reduce leverage, reduce receivables and inventories and reduce costs, to decrease losses and to promote quality and efficiency) to promote the improvement of quality and efficiency of the Company; continue to promote internal structural optimization and resource integration, and promote the implementation of regional management of rail transit design business; deepen the construction of the assessment system, and fully implement the tenure and contract-based working systems for managers; continue to release the value of talents and deepen the construction of talent echelon; comprehensively improve the level of informatization, exert great efforts on the construction of ERP system and data mid-office construction, complete the development of a comprehensive data analysis and decision-making platform, and build a dynamic network security defense system; maintain the corporate brand image, take the Company's development as the direction to expand and maintain the presence in the industry, enhance the think tank function to the government, expand the new media matrix, and further improve the influence in the industry.

BID WINNING

In 2021, 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 2021, the Company has won bids of RMB28.07 billion. Among them, the design, survey and consultancy business segment won the bids of RMB5.20 billion, and the overall engineering contracting business segment won the bids of RMB22.87 billion.

EMPLOYEES

As of 31 December 2021, the Group had approximately 4,403 employees, of which approximately 61% were employees at parent company and approximately 39% were employees at subsidiaries. More than 56% of employees have served the Company for more than 5 years. The Company has 1 academician of the Chinese Academy of Engineering, 3 masters of survey and design, 7 experts enjoying government subsidies, middle and senior professional and technical personnel accounted for 71.1% of the total employees, and college graduates and above accounted for 91.2% of the total employees.

In 2021, the Company introduced more than 20 high-end and in-demand talents required for the Company's businesses and qualifications. By improving the intern recruitment and management, the retention rate of interns had "doubled", building up a pool of high-quality students for the Company in advance. The Company organized recruitment in 48 colleges and departments where the first-class disciplines are taught nationwide, and the recruitment and introduction rate of fresh graduates of key and difficult majors increased by 20% year-on-year.

In 2021, 914 employees were promoted in the Company, accounting for 14% of the total employees. In each year, the Company selects and rewards the employees who make remarkable annual achievements and outstanding performance. The Company has possessed a bunch of conscientious, hard-working, aggressive and selfless employees. In order to praise the employees with outstanding performance and set examples, follow the corporate values of "customer first, hard work-oriented, integrity and honesty, and pursuit of excellence", carry forward the corporate spirit of "ingenuity, responsibility, innovation and fighting will", and complete the Company's various work and tasks with better results in 2021, the Company selected 10 employees with outstanding performance as award winners and awarded them the 2021 President Incentive Bonus (院長獎勵基金), and selected 92 employees acting as role models and awarded them the 2021 Excellent Employees.

The Company attaches great emphasis to the staff development and cultivation. Staff training is conducted through our corporate training platform with the aims to establish a training system which adapts to the corporate development strategy and to build a learning organization. The training forms include internal training and external training. According to the Company's strategic business development goals and performance improvement needs, with consideration of the training needs of each unit, and from the four dimensions of the direction of course training, levels of training objects, majors involved and effects of course training, the Company focuses on industry frontiers, technological development, project management, management ability and general qualities to achieve a corporate training course system for all majors and levels under different training themes. 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.

In 2021, the Company organized nearly 900 corporate training courses covering all levels, majors and themes, and organized more than 30 expert lectures, bringing together 14 internal experts and 4 external academicians of the Chinese Academy of Engineering and survey and design masters, and a number of leaders of industry association, discipline leaders and peer technical experts. The Company paid attention to business needs and the career development of employees, and carried out a series of counseling activities for the technical title declaration of employees. With consideration of the requirements for the construction of the internal trainer system, the Company strengthened the inspection mechanism for internal trainers, continued to strengthen the training of new employees, and established a "four-in-one" training program of "unified training by the Company, required business training, mentorship and training platform".

MARKET LANDSCAPE AND BUSINESS PROSPECT

In 2021, the Planning Outline for the National Comprehensive Three-dimensional Transportation Network《國家綜合立體交通網規劃綱要》(the "Planning Outline") of the Central Committee of the Communist Party of China and the State Council proposed to basically complete the construction of a convenient, smooth, economical, efficient, green, intensive, intelligent, advanced, safe and reliable modern high-quality national comprehensive three-dimensional transportation network by 2035, to achieve international and domestic interconnection, three-dimensional and convenient transportation in major cities across the country, and effective coverage on county-level nodes, provide support for the "123 travel circle nationwide" (全國123出行交通圈), that is, 1-hour commute in metropolitan areas, 2-hour access to urban agglomerations, and 3-hour coverage of major cities across the country. The Planning Outline clarified the main tasks in three aspects: the first is to optimize the traffic layout by building a 700,000-kilometer traffic network, the main skeleton consisting of 6 axes, 7 corridors and 8 channels, and 100 cities as comprehensive transportation hubs, and improving the transportation network with global coverage. The second is to, in terms of promoting integrated development, promote the integrated development of various modes of transportation, the integrated development of transportation infrastructure networks, service networks and information networks, and the coordinated development of transportation between regions. The third is to, in terms of high-quality development, promote safe development, smart development and green development, and improve the level of transportation governance.

According to the Planning Outline for the National Comprehensive Three-dimensional Transportation Network, the governments at provincial and city levels successively released their local transportation plans, including various transportation networks including waterway, railway, highway, urban rail transit and aviation hubs, and proposed the integrated development of multi-level trail transit networks.

In April 2021, the National Development and Reform Commission issued the Key Tasks for New Urbanization and Urban-Rural Integrated Development in 2021《2021 年新型城鎮化和城鄉融合發展重點任務》, which, as regarding rail transit, mentioned the construction of urban agglomerations and metropolitan circles along rails, and stated to accelerate the planning and construction of intercity railways in key urban agglomerations such as the Beijing-Tianjin-Hebei, Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and support other qualified urban agglomerations for the rational planning and construction of intercity rail transit.

MARKET LANDSCAPE AND BUSINESS PROSPECT

In 2021, the National Development and Reform Commission issued the Planning of Multi-level Rail Transit in the Yangtze River Delta (《長江三角洲地區多層次軌道交通規劃》) and the Development Plan for the Comprehensive Transportation in the Chengdu-Chongqing Economic Circle (《成渝地區雙城經濟圈綜合交通運輸發展規劃》), and approved the development plan for Fuzhou Metropolitan Circle; the Development Plan for Nanjing Metropolitan Circle (《南京都市圈發展計劃》) was issued in Nanjing, the Opinions on Promoting the Accelerated Development of Metropolitan (Suburban) Railways was issued in Hebei Province (《關於推動都市圈市域(郊)鐵路加快發展實施意見》), and the "14th Five-Year" plan for comprehensive transportation was announced in Shanghai. Such policies show that urban express rail/urban (suburban) railways will become an effective link between urban and suburban areas/urban agglomerations, and that the importance and demand of urban express rail has significantly increased.

In October 2021, the China Association of Metros held the summit of major leaders in the urban rail transit industry in China, which focused on the digital transformation and high-quality development of the urban rail transit industry; in December of that year, the Ministry of Transportation issued the "14th Five-Year Plan" for Digital Transportation, which proposed digital perception of transportation facilities, making new steps for the construction of new transportation infrastructure, with the coverage of the traffic awareness network on important nodes greatly improved, and the all-round and full-cycle digitalization of the infrastructure of the main framework of the national comprehensive dimensional transportation network comprehensively promoted.

In October 2021, the State Council issued the Opinions on Exerting Great Efforts on Carbon Emission Peaking and Neutralization (做好碳達峰碳中和工作的意見) and the Action Plan for Carbon Peaking by 2030 (2030 年前碳達峰行動方案), which required to promote the comprehensive green transformation of economic and social development, deeply adjust the industrial structure, accelerate the construction of a clean, low-carbon, safe and efficient energy system, accelerate the construction of a low-carbon transportation system, improve the quality of green and low-carbon development in urban and rural construction, strengthen the development, promotion and application of major green and low-carbon technologies, continue to consolidate and enhance carbon sink capacity, improve the level of green and low-carbon development in opening to the outside world, improve laws, regulations and standards and statistics monitoring systems, and improve policy mechanisms. The key tasks are: the "ten major carbon peaking actions", including to carry out carbon peaking throughout the whole process and all aspects of economic and social development, focus on the implementation of energy green and low-carbon transformation actions, energy conservation, carbon reduction and efficiency enhancement actions, carbon peaking actions in the industrial field, carbon peaking actions for urban and rural construction, green and low-carbon transportation actions, circular economy-assisted carbon reduction actions, green and low-carbon technological innovation actions, actions to consolidate and improve carbon sink capacity, green and low-carbon actions for all, and actions to reach carbon peaks in an orderly manner in various regions.

URBAN RAIL TRANSIT

In 2021, the Company successively won the bids for the overall design projects for 8 lines, including the first phase of Ningbo Line 6, the starting point adjustment project of Wuhan Line 16, the K2 Municipal Railway of Zhengzhou, the Hangzhou-Deqing Intercity Railway Project, the second phase of Qingdao Metro Line 7, the first phase of Qingdao Metro Line 15, the supplementary design of the turnkey contract of Jinan Urban Rail Transit Line 6, and the southern extension line of Beijing Rail Transit Line 6. The cable finishing EPC of Beijing Line 1 and the EPC project of power supply network resource sharing of Line 6 created a new design-led EPC model, reflecting the dominant position of design in the overall project, and marking a new breakthrough in business field.

Winning the bids for the rail transit TOD projects such as the top-head development of Daguozhuang parking lot of Xuzhou Line 5, the top-head development of Xuhai Road Depot of Xuzhou Line 4, the top-head development of Binjiang Depot of Nanjing S2, the top-head development of Gaoling Depot of Xi'an Line 10 and the top-head development of the Woditan Depot of Suzhou Line 8 indicates that the Company has built up certain brand awareness in the rail transit and other industrial and civil construction integration market. The Company won the bids for the general contracting of civil air defense of Changchun Line 5 and the general contracting of civil air defense of Chongqing Line 15, indicating the continuous improvement of competitiveness in civil air defense design.

The Company implemented new digital technologies represented by BIM, which empowered the traditional survey and design industry with brand new means, contributed to the digital transformation of enterprises, and completed the construction of the value system, management system and standard system in the positive design and whole-process application of BIM. The Company won the bids for the BIM project of Jinan Line 6 and the BIM technology application service in Hangzhou, indicating that the BIM positive design application service level was recognized by the owners. The Company was awarded the highest level "Platinum Level (III) in the Maturity of BIM Implementation Capability" in the BIM implementation capability maturity evaluation of the National Technical Committee for the Digitalization and Standardization of Intelligent Buildings and Residential Areas (全國智標委).

RAIL TRANSIT SYNERGIZING WITH INNOVATIVE CONSTRUCTION

In August 2021, the Ministry of Transport and the Ministry of Science and Technology jointly issued the Opinions on Accelerating the Construction of a Strong Transportation Country Driven by Scientific and Technological Innovation 《關於科技創新驅動加快建設交通強國的意見》 (the "Opinions"). The Opinions proposed that by 2025, the basic research and applied basic research on transportation will be significantly strengthened, breakthroughs in key core technologies will be made, the integration of cutting-edge technologies and transportation will be accelerated, and a scientific and technological innovation system that will meet the needs of accelerating the construction of a strong transportation country will be initially established. By 2035, the basic research and original innovation capabilities in transportation will be comprehensively enhanced, key core technologies will be independently controllable, cutting-edge technologies will be fully integrated with transportation, and a scientific and technological innovation system that meets the needs of a strong transportation country will be basically established.

MARKET LANDSCAPE AND BUSINESS PROSPECT

The national engineering laboratory led by the Company and jointly constructed and operated by Beijing Jiaotong University, Tsinghua University and Nanjing Metro Group successfully passed the acceptance of the National Development and Reform Commission, and passed the optimization and integration examination of the National Development and Reform Commission with excellent results, was officially included in the new sequence for management, and officially changed its name to the National Engineering Research Center for the Green and Safe Construction Technology of Urban Rail Transit (城市軌道交通綠色與安全建造技術國家工程研究中心), marking the official landing of the Company's national R&D platform.

The "environment-friendly technology for rail transit stations" (軌道交通車站環境友好技術) under the special subject of "advanced rail transit" (先進軌道交通) and the "key technology for improving the security performance of urban rail transit and supervision system and demonstration" (城軌交通安防性能提升關鍵技術與監管系統及示範) under the special subject of "public safety risk prevention and emergency-responding technology and equipment" (公共安全風險防控與應急技術裝備) of national key research and development programs successfully passed the performance evaluation of the high-tech center of the Ministry of Technology and completed the final acceptance.

For the first time, the Company obtained the subject of "research on the influence mechanism and coordinated release system of urban rail transit passenger flow induction information under emergency events" (突發事件下城市軌道交通客流誘導信息影響機理及協同發佈系統研究) awarded by the Beijing Natural Science Foundation (北京市自然科學基金). The postdoctoral research station was running well, with two postdoctoral fellows carrying out research in the station, and winning two national postdoctoral research funds.

The corporate innovation center, the rail structure center and the energy conservation center in Beijing all played leading roles in the industry to varying degrees.

The Li Jinlong's innovation studio established by the Company focuses on the innovative direction of the "integrated technical solutions for smart urban rail transit centered on the cloud platform of urban rail transit"; the Li Guoqing's innovation studio focuses on the innovative direction of the series of new technologies for "energy conservation in urban rail transit", the integrated series of new technologies for smart, beautiful, environment-friendly and comfortable applications, and series of new technologies for environment-friendly ventilation and air-conditioning; and the Tang Chao's innovation studio focuses on the innovative direction of the new technologies such as "integrated intelligent detection of urban rail transit tunnels in full sections".

The 3rd Scientific and Technological Innovation and Entrepreneurship Competition for Urban Rail Transit in China hosted by the Company set sail for upgrade, and was supported and attended by various governments and industry organizations, more than 20 academicians and survey masters, more than 20 universities and more than 40 rail transit construction units, during which, nearly 400 projects were selected to enter the national semi-finals, generating 96 outstanding project awards and 64 projects in the finalist, further promoting the technological innovation and development of the industry.

PPP AND CONSTRUCTION BY INVESTMENT

In 2021, the state focused on the construction of "Two New, One Major" (兩新一重) (new infrastructure, new urbanization and major projects) and weak points, expanded effective investment, strengthened systematic layout, accelerated the construction of 5G, industrial Internet, big data centers, etc., implemented urban renewal actions, promoted the renovation of old urban communities, supported the construction of affordable rental houses, strengthened the construction of urban flood control and drainage facilities, and promoted the construction of a number of major projects. Steady progress was made for infrastructure construction under the "Two New, One Major" program, which is conducive to enhancing the driving effect of effective investment.

Affected by factors such as the national macroeconomy and the COVID-19 epidemic, the growth rate of the national scale of fixed asset investment continued to decline in 2021, the market growth of the construction engineering industry was sluggish, and the growth rate of the PPP market slowed down due to the impact of the general environment, managing to make progress while maintaining stability. On the one hand, data from the China Public Private Partnerships Center of the Ministry of Finance showed that as of the end of November 2021, the management database included 10,209 projects in total with an investment of RMB16.1 trillion, and a total of 7,618 contracts were signed, with a landing rate of 78.8%. 4,748 construction projects commenced construction, accounting for 46.6%. The PPP market is still an important part of the infrastructure investment and financing market in China. On the other hand, the promulgation of the Notice on Amending and Issuing the Measures for the Administration of Information Disclosure on the Public-Private Partnership (PPP) Comprehensive Information Platform (Cai Jin [2021] No. 110) (《關於修訂發佈<政府和社會資本合作(PPP)綜合信息平台信息公開管理辦法>的通知》(財金[2021]110 號)) further clarified the scope and content of information disclosure for PPP projects, indicating that the implementation of PPP projects was further standardized, and high quality and sustainability became the main theme in the market.

In the whole year of 2021, the Company made steady progress in the investment and financing business segment with remarkable highlights. Relying on the innovation in the investment and financing model, the Company successfully won the bid for the PPP project of the Bishan-Tongliang Line Project of the Suburban Railway in Chongqing. With product and service innovation, the work of the first phase of the T1 line of the Huangshan City Tourism Railway was solidly advanced. In addition, the equity investment in Beijing Jiuzhou First Rail Environmental Technology Co., Ltd. (北京九州一軌環境科技股份有限公司) was successfully completed, and the Company's layout in the rail transit industry chain was further improved.

In 2022, under the unified deployment of the Central Economic Work Conference, "steady first and seeking progress while maintaining stability" will be the general keynote for the development of the market economy. Combined with the accelerated implementation of the "Two New, One Major" construction layout, deepening budget management, strengthening government debt management and control, and strictly controlling the debt risk trend of state-owned enterprises, the market-oriented reform of infrastructure investment and financing will be further deepened, against the backdrop of which, the PPP mode, as one of the means of infrastructure investment and financing marketization, and as an effective way to reduce the pressure on government financial debt, will continue to play an important role in the infrastructure construction field in China.

MARKET LANDSCAPE AND BUSINESS PROSPECT

The ecological environment-oriented urban development model (EOD model) coordinates economic development, urban construction and ecological environment, and has become an important model and path for exploring sustainable urban development. The EOD model is applied to the PPP model to form a "PPP+EOD" model. The "PPP+EOD" model is a brand-new model, and is expected to be further actively explored and implemented in the market in the next few years.

CONSTRUCTION BUSINESS

The Report on the Current Status and Development Trend of China's Civil Construction Industry (2021-2027) (中國民用建築行業現狀調研及發展趨勢分析報告(2021-2027年)) released on www.cir.cn believes that, with the spread of the residential purchase restriction order across the country, some funds have been withdrawn from the residential market and flowed into office buildings, resulting in a remarkable increase in the sales of office buildings. It is expected that the favorable policies for office buildings will still exist until the purchase restriction order is withdrawn. At the same time, with the accelerated urbanization of second – and third-tier cities and the industrial transfer from first-tier cities to second – and third-tier cities, the demand for office buildings in second – and third-tier cities will greatly increase, which indicates that there will be huge business opportunities in second – and third-tier cities in the next 10 years. With the deepening of the reform of the medical and health system in China, the central and local governments have increased investment in the construction of medical institutions, especially the construction of primary health care institutions, and the market scale of new medical buildings in China will gradually expand.

In addition to core products such as urban rail transit vehicle depots and hubs, the key strategic direction in the future will be diversified and multi-dimensional in the fields of urban renewal, medical buildings, sports buildings and military-civilian integration projects.

In addition, the Company will actively explore and innovate in line with the requirements of green buildings, carbon emissions and energy conservation highly advocated by the government, to meet the needs of market development. Elements such as BIM, intelligence, and technological elements should be reflected in the design products, and efforts will be made to actively adapt to market changes. Only by embracing changes and making timely adjustments can we remain invincible in the market environment that is increasingly fierce.

ENGINEERING CONSTRUCTION

In line with the current market situation dominated by state-owned enterprises, the Company gave full play to the advantages of existing projects in local human, material, financial and various social resources, took the Beijing market as the core, and focused on the relatively mature areas such as the Beijing-Tianjin-Hebei area, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, and Chengdu-Chongqing area, etc., paid close attention to market trends, and expand follow-up projects to promote the sustainable development of the regional markets.

The Company continued to expand the scope of rail transit projects undertaken, actively followed up the old line renovation projects of operating companies, and carried out maintenance and repair projects and other projects on hand, and strived to win more market shares with great contract performance.

INDUSTRIALIZATION

The impact of the global COVID-19 pandemic and the impact of Sino-US trade frictions have accelerated the formation of a new dual-cycle development pattern in China with domestic circulation as the mainstay plus international and domestic mutual promotion. The strengthening of domestic demand will provide strong support for the overall recovery of China's economy, and the supply for the construction of urban rail transit industry will continue to expand, especially with the benefit of the strategy of building a strong country with strong transportation and the guidance of the new infrastructure policy. Centered on the main themes of urban interconnection, regional ecosystem construction, and high-quality development of smart transportation, various types of rail transit construction investments will continue to catalyze.

Local government special bonds and PPP projects provide incremental funding sources, which promotes further investment in urban rail infrastructure. With the increase in mileage, urban rail industry chain companies maintain rapid growth, including train equipment and intelligent control systems. The emerging fields under the strong radiation of new infrastructure, represented by urban rail cloud and smart subways, have ushered in enormous development opportunities. As private capital enters a period of clarified policies, the construction of the rail transit industry gradually presents a diversified development pattern, providing space for the innovative application of new technologies and new models, and thereby making a good start for the development of urban rail transit during the 14th Five-Year Plan period.

INTERNATIONAL BUSINESS

In 2021, the COVID-19 pandemic was still spreading around the world, the international situation was not optimistic, and the economic situation in most countries was weak. However, from the needs of the actual situation of the countries with presence and the need for economic stimulus, as well as the contraction of China's domestic market, and with various companies driven by the model of development with dual engines and multi-directional development, the information of overseas rail transit projects did not decrease, but took on a trend of increase, which was mainly concentrated in Southeast Asia and the Middle East, with a small amount in Eastern Europe and South America, basically in line with the current regional economic development speed and regional development maturity; from the perspective of the distribution of cooperation, the partners mainly came from state-owned enterprises with supplementary resources such as CITIC Construction, China North Industries Corporation, China National Machinery Import & Export Corporation, China Machinery Engineering Corporation, China Communications Construction and China Power Construction.

According to the analysis of the overseas rail transit situation contacted in 2021, the construction mode of international rail transit had been transformed from the EPC+F mode to the PPP mode, and more and more projects had proposed the PPP construction mode; from the perspective of project type, on the one hand, there were large new rail transit projects in emerging countries, and on the other hand, many countries had put forward the demand for modernization. The main advantages of Chinese companies in acquiring projects in the fierce international rail transit market lie in capital investment such as financing, low project cost, excellent service quality, and flexible implementation policies.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Hanjun (王漢軍), aged 57, 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.

Mr. Li Guoqing (李國慶), aged 55, 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, 16th and 17th 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 Directors

Mr. Pei Hongwei (裴宏偉), aged 55, 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, was qualified as a senior economist by Beijing Senior Professional Title Evaluation Committee (北京市高級職稱評審委員會) in October 2020, 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)

Ms. Wu Donghui (吳東慧), aged 52, 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.

Ms. Shi Huaxin (史樺鑫), aged 42, is a non-executive Director of the Company and is currently the head of the capital operation department of Beijing Urban Construction Group Co., Ltd.. Ms. Shi was appointed as non-executive Director of the Company since May 2021. Ms. Shi was a staff member of the human resources department of the engineering general contracting department of Beijing Urban Construction Group Co., Ltd. from July 2004 to July 2006. From July 2006 to May 2017, she successively served as the deputy director, director, assistant to manager and deputy manager of the general office of the engineering general contracting department of Beijing Urban Construction Group Co., Ltd.. From May 2017 to June 2020, she served as the director of the manager office of Beijing Urban Construction Group Co., Ltd.. Since June 2020, she has been the head of the capital operation department of Beijing Urban Construction Group Co., Ltd.. Ms. Shi studied labor economics at Henan University of Finance and Economics from September 1997 to June 2001 and obtained a bachelor's degree in economics. She studied labor economics at Nankai University from September 2001 to June 2004 and obtained a master's degree in economics. She was accredited as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 2015.

Mr. Guan Jifa (關繼發), aged 57, is a non-executive Director of the Company, 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 was 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) from July 2017 to July 2021. 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 47, 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 an executive director of Eastern Creation III Investment Holdings Ltd. since November 2014. He has served as an executive director and general manager of Beijing Investment International Infrastructure Investment Co., Ltd. (京投國際基礎設施投資有限公司) since June 2015. He 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) from February 2017 to July 2021. He has served as the chairman and general manager of Beijing Cornerstone Capital Management Co., Ltd. since March 2017. He 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) from March 2017 to February 2021. He served as a director of Beijing Cultural Technology Financing Guarantee Co., Ltd. (北京市文化科技融資擔保有限公司) from April 2017 to December 2021. He has served as a director of Beijing Municipal Transportation Card Co., Ltd. (北京市政交通一卡通有限公司) since August 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 vice chairman of Huangshan Urban Tourism Railway Investment and Development Co., Ltd. (黃山市市域旅遊鐵路投資發展有限公司) since October 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 member of the Investment Committee of Beijing Cornerstone Huiying Venture Capital Center (Limited Partnership) (北京基石慧盈創業投資中心(有限合夥)) since August 2020. 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. He has served as the chairman of Beijing Smart City Network Co., Ltd. (北京智慧城市網絡有限公司) since October 2021. 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.

Mr. Su Bin (蘇斌), aged 55, 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 45, 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 64, 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.

Mr. Ma Xufei (馬旭飛), aged 49, 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 the Innovation Management Institute of the Tsinghua Shenzhen International Graduate School. Mr. Ma was appointed as independent nonexecutive 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; and has been an independent director of Tubatu Group Co., Ltd. (土巴兔集團股份有限公司) since December 2019. Mr. Ma obtained the "Certificate of Independent Director of Listed Companies" from Shenzhen Stock Exchange in August 2020.

Mr. Sun Maozhu (孫茂竹), aged 62, 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 an independent director for Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司), Tibet Tianlu Co., Ltd. (西藏天路股份有限公司), CR Double-Crane Pharmaceuticals Co., Ltd. (華潤雙鶴藥業股份有限公司) and Shanghai SupeZET Engineering Technology Co., Ltd. (上海卓然工程技術股份有限公司). 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 54, 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 64, 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 49, 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.

Ms. Nie Kun (聶菎), aged 51, 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 48, is a Supervisor of the Company, and currently the general manager of the fund management department of Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司). 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 48, is a Supervisor of the Company, and the joint chief investment officer/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 52, is an employee representative Supervisor of the Company and the technical supervisor of the Xi'an branch of the Company. Ms. Yang has worked as the designer of the Company and then as the technical supervisor 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 41, is an employee representative Supervisor of the Company and the technical supervisor 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 technical supervisor 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 34, 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 a senior economist in business administration in December 2020.

Mr. Zuo Chuanchang (左傳長), aged 56, 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 has been a deputy researcher and researcher of the Economy Division of the Macroeconomic Research Institute of the NDRC (國家發改委宏觀經濟研究院經濟所) in succession since December 2001. 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). 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

Mr. Jin Huai (金淮), aged 57, 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.

Mr. Wang Liang (王良), aged 56, 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 gradeone 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.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Yu Songwei (于松偉), aged 56, 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). On 31 December 2021, he was awarded the title of National Engineering Survey and Design Master by the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

Mr. Ma Haizhi (馬海志), aged 54, serves 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. On 31 December 2021, he was awarded the title of National Engineering Survey and Design Master by the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

Mr. Yin Zhiguo (尹志國), aged 46, serves 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. Xia Xiujiang (夏秀江), aged 43, is currently the manager assistant and manager of the investment and construction management department of the Company. Mr. Xia worked in Beijing Urban Construction Road and Bridge Construction Group Co., Ltd. (北京城建道橋建設集團有限公司) from July 2001 to May 2006, served as the chief economist of Beijing Urban Construction Huasheng Transportation Construction Group Co., Ltd. (北京城建華晟交通建設集團有限公司) in Beijing Urban Construction Road and Bridge Construction Group Co., Ltd. from May 2006 to March 2011, and served as the deputy chief economist of Beijing Urban Construction Road and Bridge Construction Group Co., Ltd. and the chief economist of Beijing Urban Construction Huasheng Construction Group Co., Ltd. (北京城建華晟建設集團有限公司) from March 2011 to February 2014. Mr. Xia served as the general manager of the Fujian branch of the Company from February 2014 to May 2015; and served as the general manager of Anhui Jingjian Capital Construction Investment Co., Ltd. (安徽京建投資建設有限公司), chairman and general manager of Guizhou Jingjian Capital Construction Investment Co., Ltd. (貴州京建投資建設有限公司), chairman of Yunnan Jingjian Capital Construction Investment Co., Ltd. (雲南京建投資建設有限公司), chairman of Beijing Jingjian Shuncheng Construction Investment Co., Ltd. (北京京建順城建設投資有限公司), chairman of Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. (雲南京建軌道交通投資建設有限公司), chairman and general manager of Huangshan Jingjian Capital Construction Investment Co., Ltd. (黃山京建投資建設有限公司), chairman of Jiangsu Jingjian Capital Construction Investment Co., Ltd. (江蘇京建投資建設有限公司), and chairman of Hunan Jingjian Capital Construction Investment Co., Ltd. (湖南京建投資建設有限公司) since May 2015. Mr. Xia has been the manager of the investment and construction management department of the Company since February 2017, and has been the manager assistant and manager of the investment and construction management department of the Company since July 2020. Mr. Xia obtained a bachelor's degree in construction engineering management from Harbin Institute of Technology in July 2001 and a master's degree in software engineering from Tianjin University in June 2014. Mr. Xia was qualified as a senior engineer by Liaoning Provincial Department of Human Resources and Social Security in November 2012.

Mr. Yang Xiuren (楊秀仁), aged 57, 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.

Mr. Xu Chengyong (徐成永), aged 48, is currently the Secretary of Party Committee and vice president of the Rail Transit Institute of the Company. From July 1995 to August 2012, Mr. Xu successively served as the designer of the Company (formerly known as Beijing Urban Construction Design and Research Institute (北京城建設計研究總院), director of Shenzhen Branch, director of the Seventh Design Institute, deputy chief engineer, and director of the general affair department of Beijing Metro, and vice president of the Rail Transit Institute; served as Secretary of the Party Committee and Vice President of the Rail Transit Institute of the Company from September 2012 to November 2013; served as the head of the general affair department of the Beijing Metro of the Company from November 2013 to December 2017; since November 2013, he has served as Secretary of the Party Committee and Vice President of the Rail Transit Institute of the Company. Mr. Xu obtained a bachelor's degree in engineering from Shanghai Railway University (上海鐵道大學) majoring in railway engineering in August 1995, and a master's degree in engineering from Beijing Jiaotong University (北京交通大學) majoring in transportation in August 2007. Mr. Xu was qualified 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 April 2013; obtained the registered consulting engineer (investment) certificate from the Ministry of Human Resources and Social Security in January 2009; and obtained the certificate of registered urban and rural planner from the Ministry of Housing and Urban-Rural Development in June 2019.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Xiao Mujun (肖木軍), aged 54, 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 55, 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 53, 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 2021.

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, the Company faced up to the complex internal and external situation, resolutely implemented the deployment of superior authority, focused on development, exerted vigorous efforts on epidemic prevention and control, promoted the resumption of work and production in an orderly manner, and steadily promoted the high-quality development of the Company. For the year ended 31 December 2021, the Company recorded revenue of RMB10,488 million, an increase of RMB503 million or 5.04% from the corresponding period of last year. In particular, revenue from the design, survey and consultancy business segment amounted to RMB4,102 million, and revenue from the construction general contracting business was RMB6,386 million.

The position in the rail transit design industry was continuously consolidated. The Company obtained the overall design projects for 8 lines, including the first phase of Ningbo Line 6, the starting point adjustment project of Wuhan Line 16, Hangzhou-Deqing Intercity Line, the second phase of Qingdao Line 7, the first phase of Qingdao Line 15, Jinan Line 6, Beijing Line 6 south extension and Zhengzhou K2 Line; won the bids for the overall design projects for civil air defense of Changchun Line 5 and the first phase of Chongqing Line 15; and undertook the preliminary plan research of existing line renovation projects in Beijing, and the contract value of the existing line renovation projects in Beijing, Shenyang and Changchun exceeded RMB100 million. The Company took a leading position in the survey market across the country. The regionalized reform achieved remarkable results, and the Company ranked the first in the domestic rail transit survey industry in terms of market share; the Company led the operation market by virtue of smart empowerment, and obtained an order of RMB70 million for the safety inspection project of Chongqing rail transit, and the intelligent operation safety management platform project of Beijing Subway; smart engineering, testing business, ecological environment and other new businesses developed in scale, and the Company has accumulatively received orders of RMB180 million. Fruitful results were also achieved in civilian construction and municipal services. The Company obtained 21 subway top-head development and comprehensive transportation hub projects; made new achievements in the military-civilian integration business, and contracted for orders of RMB10 million for the central projects; won the bids for two water environment treatment projects in Beijing and Zhongshan, with a contract value of over RMB50 million; contracted for the reconstruction projects of North Ring Road and Lantian Road in Lhasa City, to create typical municipal transportation projects for urban renewal and reconstruction; served as the "responsible planner" for Beijing Financial Street, Shidu Town in Fangshan District, Shijiaying Town and Xiayunling Town; obtained the art design order of RMB34 million for Shenzhen Metro; and contracted for international orders from Laos, Russia and Sri Lanka, etc.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

The Company made steady progress in the general construction contracting business. The Company consolidated its position in the Beijing market, and won the 05 and 12 bids of Beijing Rail Transit Line 22, and the underground space integration project in Lize Business District; undertook the maintenance of Wuhan Optics Valley Line T2, and the upgrade of wheelchair lifts for 11 Beijing Subway lines, and successfully leased out shield machines and supporting equipment, making new breakthroughs in diversified operation.

New drivers were injected into the investment and financing business. The Company successfully won the bid for the Bishan-Tongliang Line project with an estimated investment of RMB8.6 billion, which was the first rail transit project invested and constructed in the PPP+TOD mode in China. The first phase of the Huangshan T1 line was included in the integrated transportation development plan of Yangtze River Delta, and the feasibility study of the project was reported to NDRC branch of Anhui Province for approval. New progress was made in equity investment with the acquisition of 600,000 shares 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).

Continued breakthroughs were made in technological industrialization. The Company contracted for the Changping Bio-Cloud project, and realized the new application of the "Jinlongyun" system in a field other than rail transit, with a contract value of over RMB200 million; maintained the leading share in the cloud computing and low-to-medium volume markets; took advantage of capital to enter the Fujian market and contracted for an order of RMB530 million for the low-voltage electricity system of the first phase of Fuzhou Line 4, laying a solid foundation for future development.

The operation and maintenance projects were fully up to standards. Zhuzhou Smart Rail began operation on schedule, setting a benchmark in the light and medium-volume transportation industry. Kunming Line 4 operated smoothly, with a cumulative passenger volume of more than 48 million, and a 100% fulfillment rate against the train operation chart, with all key operational indicators better than national and industry standards. Municipal projects such as Anqing North Ring Road and Dianzhong Konggang Avenue were well praised by the government.

During the Reporting Period, the Company continued to upgrade its efforts on scientific research and innovation, and its scientific research strength continued to grow. The national engineering laboratory passed the evaluation and acceptance and was included in the sequence management of the National Science and Technology Innovation Base (國家科技創新基地). The Company cooperated with Tsinghua University to establish a joint research center for urban disaster prevention and safety, established Li Guoqing's innovation studio and a studio of well-known experts, and two experts were selected as national engineering survey and design masters. New progress was made in product incubation. The Company kept up with the market demand, and focused on the three major areas of smart rail transit, green intelligent construction and energy-saving technologies for rail transit, and significant progress was made in the incubation projects such as metro operation and maintenance systems based on big data, big data application service platforms for traffic planning, video compression products and earthquake-resistant and seismic-isolating bearings. Fruitful results were made in the efforts to bring forth new ideas and create excellence. The Company won 1 National Science and Technology Progress Award (Building Thermal Environment Theory and Key Technologies for Its Green Construction (建築熱環境理論及其綠色營造關鍵技術)), 3 Beijing Science and Technology Awards (Compilation and Research of Design Standards for Light Rail Transit (《輕軌交通設計標準》編製研究), PBA Method-based Underground Construction Technology for Subway Stations and Its Application (地鐵車站 PBA 法暗挖建造技術與應用), Key Technologies for Securing the Safe Operation and Enhancing the Efficiency of Urban Rail

Transit Based on Large Passenger Flow and Their Application (基於大客流的城市軌道交通運營安全保障與效能提升關鍵技術及應用)), 4 Zhan Tianyou Awards (Phase I Project of Suburban Railway from Zhengzhou South Fourth Ring Road to Zhengzhou South Station (鄭州市南四環至鄭州南站城郊鐵路一期工程), Phase I (Jianxin East Road – Wangjiazhuang Section) Project of Chongqing Rail Transit Line 10 (重慶軌道交通十號線一期(建新東路~王家莊段)工程), Jinan Rail Transit Line 1 Project (濟南軌道交通1號線工程), Tram Test Line Project of Wuhan East Lake National Independent Innovation Demonstration Area (武漢東湖國家自主創新示範區有軌電車試驗線工程)), 2 Huaxia Science and Technology Progress Awards; 7 National Quality Engineering Awards (Phase I Project of Beijing Rail Transit New Airport Line (北京軌道交通新機場線一期工程), Phase I Project of Wuhan Rail Transit Line 6 (武漢市軌道交通 6 號線一期工程), BOT Project and Simultaneous Implementation Project of Modern Tram Demonstration Line Project of Shenzhen Longhua New District (深圳市龍華新區現代有軌電車示範線工程 BOT 項目及同步實施工程), Shijiazhuang Rail Transit Line 1 (石家莊市城軌道交通 1 號線), Jinan Rail Transit Transportation Line 1 Project (濟南軌道交通 1 號線工程), Phase I Project of Xiamen Rail Transit Line 1 (廈門市軌道交通 1 號線一期工程), First Phase Project of Guangzhou Rail Transit Line 13 (廣州市城軌道交通十三號線首期工程)), 1 Provincial Gold Cup Demonstration Project, 6 completion projects of Great Wall Cup, 1 installation engineering award and 9 quality management awards; and obtained 111 patents and software copyrights. The work for the industry began to show results. The Company hosted 11 important industry events, recommended 205 talents to the industry, and took the lead or participated in the compilation of 69 standards of various types, including 6 national standards (including the Design Standards for Shield Tunneling Projects (盾構隧道工程設計標準), the Measurement Standards for Straddle-type Monorail Traffic Projects (跨座式單軌交通工程測量標準), and the Regulations on the Safe Use of Elevating Working Platforms (舉升式升降工作平臺安全使用規程), etc.), 2 industry standards (Specifications for Labeling Text Information in Transportation Videos and Images Part 3: Urban Rail Transit, Technical Specifications for the Lighting Protection of Urban Rail Transit (交通運輸視頻圖像文字信息標注規範第3部分：城市軌道交通、城市軌道交通防雷技術規範)) and 17 local standards (including Design Standards for Rail Express Lines in Xiongan (雄安軌道快線設計標準), Design and Delivery Standards for the Information Models of Urban Rail Transit Projects (城市軌道交通工程信息模型設計交付標準), Technical Standards for the Fire Safety of Station-City Integration Projects (站城一體化工程消防安全技術標準), Technical Standards for Rubber-Wheeled Tram Traffic System (膠輪有軌電車交通系統技術標準), and Regulations on the Management and Control of Safety Risks in the Cavern-Pile Construction of Urban Rail Transit (城市軌道交通洞樁法施工安全風險管控規程), etc.). The 3rd Innovation and Entrepreneurship Competition set sail for upgrade to build a scientific and technological innovation ecosystem in the industry, and promoted the cooperation of nearly 10 scientific research projects of the Company. Oriented to user needs, the website www.chinametro.net continuously enhanced user stickiness, with the number of followers to its public account reaching 65,000.

In line with its own development strategic plan for the "14th Five-Year Plan" period, the Company will stick to the general tone of "seeking progress while maintaining stability", focus on the business synergy across the entire industry chain, integrate advantageous resources, optimize market layout, consolidate fundamental management, and continuously enhance corporate competitiveness, innovation and influence, promote the Company to develop with a higher quality, adhere to the corporate vision of "becoming an integrated service provider of urban construction directed by design", expand design consultancy business, strengthen project general contracting, and enable the Company 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

2021 was the beginning year of the "14th Five-Year Plan" period and a year of special importance to the modernization drive in China and of fundamental significance to the China's new journey of building a socialist modernized country in an all-round way. At present, the national economy is still in the process of recovery after the severe impact by the sudden outbreak of the COVID-19 pandemic, which, together with various new changes in domestic and foreign situations, has made it more difficult to maintain stable economic operation. The state has always attached importance to the cross-cyclical and counter-cyclical adjustments of macro policies to effectively respond to various risks and challenges. At the very beginning of the "14th Five-Year Plan" period, the state and governments at all levels had issued a series of policies centered on urban rail construction to boost the development of urban rail transit in China, providing a favorable policy environment for the development of the industry. Under the continuous and vigorous support of national industrial policies, and under the guidance of the national goals of "carbon neutrality" and "carbon peaking", the domestic urban rail transit industry enjoys a promising prospect for development. The urban rail transit industry will develop energetically, thereby driving the vigorous development of the urban rail transit equipment industry and contributing to the achievement of long-term goals for the urban rail transit industry.

Countermeasures: the Company shall keep a close eye on the new economic policies in China, actively communicate with relevant national authorities, monitor national political, economic, industry, legal, environmental and other information, strengthen risk management and control, respond to national strategies, and exert great efforts on the research and prediction of market trends. Moreover, the Company will think broadly, make dynamic adjustments to the Company's development plan, continuously consolidate the market position in the industry, develop and innovate in business models and business fields, make joint efforts to synergize the relationship between various industries, and continue to optimize standards to improve product quality in response to various risks.

Exchange Rate Risks

In the continuous operation of the Company's overseas business, significant fluctuations in exchange rates may lead to various risks, such as the foreign exchange transaction risk from transactions denominated in foreign currencies due to the different exchange rates on the transaction date and the settlement date, and the risk of changes in the value of overseas business due to the fluctuations in exchange rates, etc.

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

The rail transit industry is greatly affected by macro policies. With the continuous changes of the external environment and the increased policy risks, the competition will be more intense under the new situation, and the market competition faced by leading enterprises in the industry will be more severe. In face of such fierce competition, the Company will face challenges as to how to acquire the market share and consolidate the leading position in the industry.

Countermeasures: the Company shall make full use of business and marketing channels that basically cover the whole country to provide coordinated services in difference regions. By expanding R&D investment, the Company will intensify the R&D and innovation of core technologies for urban rail transit, strengthen the integration and development of advantageous technologies, and take advantage of technologies and resources to lead market development, and continuously integrate the technological innovations in the urban rail business chain to develop strong advantages in core technologies. Moreover, the Company will give full play to the brand advantage in urban rail design and consultancy, carry out reforms, increase vitalities, enhance management, build up teams, expand market presence, ensure contract performance, manage quality, improve efficiency, control costs, and increase revenue, and further expand the scale of rail transit design and consultancy business. Meanwhile, in coordination with other design segments, the Company will vigorously support the development of new businesses such as overall engineering contracting, investment and financing and industrialization, and continuously consolidate its dominant position in the market.

Future Development Prospects

2022 is a year of critical importance in the course of China's development. Under the macro background of the new economic normal, the state will adhere to the general principle of seeking progress while maintaining stability, put into practice the new development concept in a complete, accurate and all-round way, accelerate the construction of a new development pattern, comprehensively deepen the reform and opening-up strategy, adhere to the innovation-driven development, and promote high-quality development. Therefore, the Company will respond actively, seek progress while maintaining stability, and strive to play a greater role and create greater value in the field of urban rail transit.

Countermeasures: the Company will fully put into practice the national decisions and deployments, comply with the requirements of relevant policies such as "a powerhouse in transportation", "new infrastructure", "carbon neutrality" and "carbon peaking", etc., and accelerate the construction of a new development pattern; strengthen the leading role in the development of the rail transit industry chain, and promote the construction of new infrastructure such as national intercity railways and urban rail transit. Moreover, the Company will continuously strengthen the value management of the entire industry chain, enhance social influence in all aspects by focusing on promoting industry influence, and exert great efforts on the performance of project contracts to shape a brand image. For a discussion on the future business development 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/T45001-2020/ISO 45001:2018 "Occupational Health and Safety Management System Requirements with Guidance for Use" 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 were organized in strict accordance with the management system requirements and product quality met the requirements and would steadily improve. The Company accepted and successfully passed the audit of the third party Beijing ZhongShe Certification Service Co., Ltd. every year, which fully affirmed our management concept and management effectiveness.

In 2021, 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 continues 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/T45001：2020(ISO45001:2018) occupational health and safety management system is running well. The Company improves the safety awareness and skills of practitioners through safety publicity and training and the preparation of Safety Production Management Manual. The Company improved the construction of safety management system, newly issued the Administrative Measures for Safety Production, and supplemented the compendium of the Company's safety management system.

The Company launched various safety activities, including model site observation activities, safety production inspection activities, comprehensive emergency response drills for urban rail transit construction accidents, online knowledge quiz activities in the Month of Safety and "Five Small" evaluation activities to advocate the Company's safety culture atmosphere and consolidate the Company's foundation for safety management.

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 the Consolidated Statement of Comprehensive Income on pages 109 to 110 of this report.

On 25 March 2022, the Board of Directors proposed the distribution of a final dividend of RMB0.1679 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 2021 annual general meeting to be held on 27 May 2022. 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 10 June 2022 before 26 August 2022.

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (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, 27 May 2022 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, 23 May 2022 for registration.

The H Shares register of members of the Company will be closed from Sunday, 5 June 2022 to Friday, 10 June 2022 (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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Thursday, 2 June 2022.

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 dividend at the 2021 annual general meeting to be held on 27 May 2022.

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.

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 30 to 44 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

Due to change in work arrangement, Mr. Tang Shuchang has tendered to the Company his resignation from his position as a non-executive Director of the Company on 10 March 2021, with effect from 28 May 2021.

At the 2020 annual general meeting held on 28 May 2021, Ms. Shi Huaxin was appointed as a non-executive Director of the Company with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 10 March 2021 and 28 May 2021 and the circular of the Company dated 7 May 2021.

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

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

At the Board meeting held on 10 March 2021, Mr. Xia Xiujiang was appointed as the Company's deputy general manager and Mr. Xu Chengyong was appointed as the Company's chief planner with immediate effect.

Ms. Cheng Yan ceased to work as the deputy general manager of the Company due to personal reasons.

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.

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

For the year ended 31 December 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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 polices 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 2021, the remuneration of other senior management members by bands is set out as follows:

Remuneration Band	Number of person
RMB500,000 – 1,000,000	4
RMB1,000,001 – 1,500,000	8

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 2021, 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%

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.

2. Beijing Investment Company is a wholly state-owned enterprise funded and established by the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government. On 4 August 2020, Beijing Investment Company conducted a merger and restructuring with and Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) ("**MTR Construction**"). After the merger and restructuring, Beijing Investment Company held, directly and indirectly, 199,998,412 Shares of the Company in aggregate, including 131,776,412 Domestic Shares and 68,222,000 H Shares of the Company, representing approximately 14.83% of the issued Shares of the Company. Please refer to the announcement of the Company dated 10 August 2020 for details.

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 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%
CRRC 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. CRRC Group (formerly known as CSR Group Limited) held interests in 26,222,000 H Shares through its controlled corporations, CRRC Corporation Limited (formerly known as CSR Corporation Limited) and CRRC (Hong Kong) Co., Ltd. (formerly known as CSR (Hong Kong) Co. Ltd).

Save as disclosed above, as at 31 December 2021, 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 2021 was as follows:

Class of Shares	Number of Shares as at 31 December 2021	Percentage of total number of Shares in issue as at 31 December 2021
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 2021.

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 13 to the financial statements.

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 33 to the financial statements. As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB2,664,280 thousand.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2021, the Company had distributable retained earnings of RMB2,664,280 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 10.9% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 4.3% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 35.1% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 13.9% of the Group's total sales. To the knowledge of the Directors of the Company, except Beijing Investment Company, a Shareholder holding more than 5% of the share capital of the Company, none of the Directors, Supervisors of the Company and their respective associates 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 17, note 18, note 19 and note 20 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:

No.	Name	Registered Capital RMB'0000	Form of Shareholding	Equity Structure	Date of Establishment	Scope of Business
1	Chongqing Yuxi Express Railway Construction and Operation Co., Ltd. (重慶市渝西快線建設運營有限公司)	10,000.00	Partial equity	Beijing Urban Construction Design & Development Group Co., Limited: 30.60% Chongqing Lufa Asset Operation and Management Co., Ltd.: 24.50% Chongqing Tongliang District Jinlong Urban Construction Investment (Group) Co., Ltd.: 24.50% Chongqing Railway (Group) Co., Ltd.:15.30% Beijing Urban Construction Group Co., Ltd.: 5.10%	10 April 2021	Licensed businesses: various engineering construction activities, public railway transportation, railway locomotive maintenance, publication retail, food business, catering service, tobacco product retail. General businesses: railway transport auxiliary activities, rail transit communication signal system development, rail transit operation management system development, house leasing, property management, parking lot service, non-residential real estate leasing, advertising production, advertising design, agency, advertising publishing (other than radio stations, television stations, newspaper publishing units), corporate management consulting, passenger ticketing agency, sales of arts and crafts and goods and ceremonial articles (except ivory and products made of ivory), general equipment repair, special equipment repair, and electrical equipment repair.

No.	Name	Registered Capital RMB'0000	Form of Shareholding	Equity Structure	Date of Establishment	Scope of Business
2	CCCC Sihang (Zhongshan) Environmental Engineering Co., Ltd. (中交四航(中山)環保工程有限公司)	100.00	Partial equity	Beijing Urban Construction Design & Development Group Co., Limited: 1.00% CCCC Fourth Navigation Engineering Bureau Co., Ltd.: 51.00% Beijing Urban Drainage Group Co., Ltd.: 47.00% Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd.: 1.00%	10 May 2021	General businesses: water pollution control; water environment pollution prevention and control service; landscaping engineering construction; undertaking the engineering construction business of the head office; ecological restoration and ecological protection services; agricultural non-point source and heavy metal pollution prevention and control technical services; solid waste treatment; environmental emergency treatment services; flood control and water logging facility management; engineering technical services (except planning management, survey, design and supervision). Licensed businesses: general contracting of housing construction and municipal infrastructure projects; various engineering construction activities; intelligent engineering construction; and construction engineering design.
3	Beijing Jingxi Ecological Culture and Tourism Investment Co., Ltd. (北京京西生態文旅投資有限公司)	100,000.00	Partial equity	Beijing Urban Construction Design & Development Group Co., Limited：7.00% Beijing Energy Group Co., Ltd.: 49.00% Yongding River Basin Investment Co., Ltd.: 19.00% Beijing Capital Tourism Group Co., Ltd.: 10.00% Beijing Jinyu Group Co., Ltd.: 10.00% Beijing Jingxi Landscape Culture Tourism Investment Holding Co., Ltd.: 5.00%	9 September 2021	Investment management; investment consulting; asset management; retail of clothing, shoes and hats, cosmetics, daily necessities, toys, knitted textiles, stationery, sporting goods, hardware, household appliances, electronic products; public parking lot services for motor vehicles; property management; lease of commercial space; lease of office space; enterprise management; market research; undertaking exhibitions and fairs; conference services; tourism consulting; planning and design management; scenic spot management; literary and artistic creation; organizing cultural and artistic exchange activities (excluding commercial performances); sports activities and events organization and planning; tourism business; commercial performances; performance brokerage; food management; accommodation services; general contracting of housing construction and municipal infrastructure projects; sports venues and facilities operation (excluding high-risk sports); and retail of tobacco products.

No.	Name	Registered Capital RMB'0000	Form of Shareholding	Equity Structure	Date of Establishment	Scope of Business
4	Beijing Yaocheng Cultural and Creative Technology Development Co., Ltd. (北京耀城文創科技發展有限公司)	1,000.00	Wholly-owned	Beijing Urban Construction Design & Development Group Co., Limited：100.00%	26 September 2021	Food operation; technology development; technology consultation; technology exchange; technology transfer; technology promotion; market research; public relations services; corporate planning; design, production, agency, and advertising; conference services; undertaking exhibitions and fairs; package and decoration design services; literary and artistic creation; organizing cultural and artistic exchange activities (excluding performances); arts and crafts creation services; and retail of clothing, daily necessities, toys, stationery, sporting goods, handicrafts, household appliances, and electronic products.

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 2021, the investment amount was RMB1.83 billion, accounting for 7.6% of the total asset value as at 31 December 2021, 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%	1,512,204	228,488

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 Transactions

(I) Establishment of a joint venture company

On 7 April 2021, the Company, Chongqing Lufa Asset Operation and Management Co., Ltd. ("**Chongqing Lufa**"), Chongqing Tongliang District Jinlong Urban Construction Investment (Group) Co., Ltd. ("**Jinlong Urban Construction Investment Group**"), Chongqing Railway (Group) Co., Ltd. ("**Railway Group**") and BUCG entered into a joint venture agreement to jointly establish a joint venture company for the implementation of the PPP Project of Chongqing Suburban Railway Bishan-Tongliang Line. Please refer to the connected transaction announcement of the Company dated 7 April 2021 for details.

According to the joint venture agreement entered into, the total registered capital of the joint venture company amounted to RMB100 million, among which, the Company, Chongqing Lufa, Jinlong Urban Construction Investment Group, Railway Group and BUCG will contribute RMB30.60 million, RMB24.50 million, RMB24.50 million, RMB15.30 million and RMB5.10 million, respectively and each of them will own 30.6%, 24.5%, 24.5%, 15.30% and 5.10% of the equity interest in the joint venture company, respectively.

As at the date of the above connected transaction announcement, BUCG is the controlling Shareholder of the Company and directly and indirectly holds an aggregate interest of 42.34% in the Company. Accordingly, BUCG is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the establishment of the joint venture company under the joint venture agreement constituted a connected transaction of the Company.

(II) Capital increase in BUCZT

On 10 November 2021, the Company and BUCG, Beijing Chengke Yunchuang Enterprise Management Partnership (Limited Partnership) ("**Chengke Yunchuang Enterprise Management**"), Fuzhou Metro Group Co., Ltd. ("**Fuzhou Metro Group**"), Jiaxing Hezheng Chengzhi Equity Investment Partnership ("**Jiaxing Hezheng Chengzhi**"), Beijing Urban Construction Installation Group Co., Ltd. ("**BUCIC**") and Beijing Urban Construction Zhikong Technology Co., Ltd. ("**BUCZT**") entered into a capital increase agreement. Please refer to the connected transaction announcement of the Company dated 10 November 2021 for details.

According to the capital increase agreement entered into, BUCG, Chengke Yunchuang Enterprise Management, Fuzhou Metro Group and Jiaxing Hezheng Chengzhi agreed to subscribe for 27,883,000, 17,220,500, 15,680,000 and 5,460,000 shares of BUCZT at considerations of RMB142,203,300, RMB87,824,600, RMB79,968,000 and RMB27,846,000, respectively.

According to the capital increase agreement, the shareholding of the Company in BUCZT will be reduced from 60% to approximately 30.83% upon the completion of the capital increase. Therefore, the capital increase will constitute a deemed disposal under Rule 14.29 of the Hong Kong Listing Rules. As at the date of the above connected transaction announcement, BUCG held 42.34% of the issued shares of the Company and was the controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. In accordance with the Chapter 14A of the Hong Kong Listing Rules, the capital increase agreement entered into by the Company and BUCG and transactions contemplated thereunder constituted a connected transaction.

(III) Amendments to the Existing Non-competition Agreement

The Company and BUCG entered into the Supplemental Agreement III to the existing Non-competition Agreement on 10 November 2021 to add two clauses and further clarify the core businesses of the Company and enable that, after BUCZT ceases to be a subsidiary of the Company, it can continue to engage in research and development, production, sales and integration services businesses of products related to the rail transit without being restricted by the existing Non-competition Agreement. Please refer to the connected transaction announcement of the Company dated 10 November 2021 for details.

As at the date of the above connected transaction announcement, BUCG held 42.34% of the issued shares of the Company and was the controlling shareholder and connected person of the Company under the Hong Kong Listing Rules. In accordance with Chapter 14A of the Hong Kong Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement III to the Non-competition Agreement between the Company and BUCG constituted a connected transaction.

Non-exempt Continuing Connected Transactions

The annual caps for the non-exempt continuing connected transactions of the Group in 2021 and the actual transaction amounts of such continuing connected transaction of the Group in 2021 are set out below:

	For the year ended 31 December 2021	
	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	**313**	479
(2) Expenditure incurred by BUCG, its subsidiaries, joint ventures and/or associates for provision of services to the Group	**385**	1,947
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	**18**	18
3. BI Integrated Services Framework Agreement:		
(1) Revenue generated by the Group for providing survey, design and consultancy services to Beijing Investment Company, its subsidiaries and/or associates	**484**	1,700
(2) Revenue generated by the Group for providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates	**1,453**	2,150
(3) Expenditure incurred by Beijing Investment Company, its subsidiaries and/or associates for providing survey, design and consultancy services to the Group	**5**	8.5
(4) Expenditure incurred by Beijing Investment Company, its subsidiaries and/or associates for providing construction contracting services to the Group	**34**	62
(5) Expenditure incurred by the Group for leasing the property and land from Beijing Investment Company, its subsidiaries and/or associates	**2**	N/A

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 and the supplemental agreement to the Integrated Services Framework Agreement entered into between the Company and BUCG on 10 November 2021, 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; and the "Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit" provided by BUCZT, a subsidiary of BUCG, to the Company under the supplemental agreement III to the Non-competition Agreement ("**Supplemental Agreement III to the Non-competition Agreement**") entered into between BUCG and the Company on 10 November 2021.

(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. Pursuant to Article 3.9 of the Supplemental Agreement III to the Non-competition Agreement, when the Company is engaged in rail transit related businesses, if the inseparable part of the businesses involves 'Research and Development, Production, Sales and Integration Services Businesses of Products Related to the Rail Transit', subject to not violating the relevant requirements of the construction unit and relevant laws and regulations such as bidding, the Company or its subsidiaries will give priority to subcontracting these businesses to BUCZT, a company owned by BUCG under the same conditions.

(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

(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 biding 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 Hong Kong Listing Rules. Accordingly, in accordance with Chapter 14A of the Hong Kong 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 2021, (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 2021 for such transactions was RMB479 million, whereas the actual revenue generated was RMB313 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 2021 for such transactions was RMB1,947 million, whereas the actual expenditure incurred was RMB385 million.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 2021, 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 2021 for such transactions was RMB18 million, whereas the actual expenditure was RMB18 million.

Continuing Connected Transactions Contemplated under the New Integrated Services Framework Agreement between the Group and Beijing Investment Company

The Group entered into a continuing connected transaction with Beijing Investment Company, its subsidiaries and/or its associates in the ordinary and usual course of business, including the provision of services such as construction survey, design and consultancy as well as construction contracting services to Beijing Investment Company, its subsidiaries and/or its associates. In order to comply with the requirements of the Hong Kong Listing Rules, on 15 August 2018, the Company entered into the 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. A merger and restructuring was conducted between Beijing Investment Company and Beijing MTR Construction Administration Corporation ("**MTR Construction**") on 4 August 2020. Following the merger and restructuring, Beijing Investment Company remains to be a connected person of the Company and the transaction between the former MTR Construction and the Company constitutes a connected transaction between the Company and Beijing Investment Company. The Company is required to adjust the cap of its continuing connected transaction with Beijing Investment pursuant to the Hong Kong Listing Rules. Accordingly, the Company entered into the New Integrated Services Framework Agreement ("**New Integrated Services Framework Agreement**") with Beijing Investment Company for a term of three years from 1 January 2021 to 31 December 2023. The Company has also set the annual caps for the continuing connected transactions contemplated thereunder for each of three financial years ending 31 December 2023. Please refer to the announcements of the Company dated 15 August 2018 and 10 March 2021 and the circulars dated 9 October 2018 and 7 May 2021 for details.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(a) The Group will provide Beijing Investment Company, its subsidiaries and/or its associates with services such as construction survey, design and consultancy as well as construction contracting services; and Beijing Investment Company, its subsidiaries and/or its associates will provide the Group with services such as construction survey, design and consultancy as well as construction contracting services.

(b) Both parties are entitled to choose the counterparties of the transaction, and shall carry out the transaction in accordance with the applicable general market practice (if any) and on normal commercial terms.

Pursuant to the New Integrated Services Framework Agreement, the terms of the agreement for the Group to provide services such as construction survey, design and consultancy as well as construction contracting services to Beijing Investment, its subsidiaries and/or its associates shall not be better than the terms of the agreement for the Group to provide similar services to independent third parties, and the price for services provided by one party to the other party shall be determined at the following principles:

(a) Where there is government-prescribed price, the government-prescribed price shall be executed (the government-prescribed price refers to the price determined for certain type of services according to the laws, regulations, decisions or orders formulated by the Chinese central government, provincial government or other regulatory authorities);

(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 price determined for certain type of services according to the laws, regulations, decisions and orders formulated by the Chinese central government, provincial government or other regulatory authorities, which within a certain range, can be adjusted through negotiations between both parties to the transaction. In particular, in terms of project contracting services, the Beijing Municipal Commission of Housing and Urban-Rural Development issued the "Beijing Construction Project Pricing Basis-Urban Rail Transit Project Budget Quota" to provide pricing reference for the construction projects in Beijing);

(c) Where there is neither government-prescribed price nor government-guided price, then the price would be determined through tender process or other available market price.

    The "market price" shall be determined in the following order: (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) if the above is inapplicable, the price charged by independent third party(ies) then 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; 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 project cost and price with reference to the calculation methods described in the relevant charging guidelines issued by the government or industry associations. The prices, methods and calculations prescribed by industry associations and competent authorities are for reference only, and the parties do not have to apply such prices, methods and calculations when deciding on the agreed price. As far as construction contracting services concerned, the "Guiding Opinions on Charges for Urban Rail Transit Preliminary Consulting Work" issued by China Association of Metros will be used as a reference. To ensure that the price is fair and reasonable, the Company will consider a number of factors, including project size, technical difficulty, labor costs and prices of similar types of projects. Generally, the quotation should not be lower than the estimated cost plus reasonable profit).

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 14.83% 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 New 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 2021, (1) in respect of the revenue generated by the Group from providing design, survey and consultancy services to Beijing Investment Company, its subsidiaries and/or associates, the annual caps in 2021 for such transactions was RMB1,700 million, whereas the actual revenue occurred was RMB484 million; (2) in respect of revenue generated by the Group from providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates, the annual caps in 2021 for such transactions was RMB2,150 million, whereas the actual revenue occurred was RMB1,453 million; (3) in respect of the expenditure incurred by Beijing Investment Company, its subsidiaries and/or associates for providing design, survey and consultancy services to the Group, the annual caps in 2021 for such transactions was RMB8.5 million, whereas the actual expenditure was RMB5 million; and (4) in respect of the expenditure incurred by Beijing Investment Company, its subsidiaries and/or associates for providing construction contracting services to the Group, the annual caps in 2021 for such transactions was RMB62 million, whereas the actual expenditure was RMB34 million.

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

(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 2021 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. On 29 December 2021, the first extraordinary general meeting of the Company in 2021 reviewed and approved the Supplemental Agreement III to the Non-competition Agreement entered into between the Company and BUCG on 10 November 2021. For details, please refer to the announcement of the Company dated 29 October 2015, the circular dated 11 December 2015, the announcements dated 10 November 2021 and 29 December 2021 and the circular dated 10 December 2021, respectively.

BUCG stated that for the year ended 31 December 2021, 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 2021, 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 Infrastructure Investment (Hong Kong) Limited ("**Beijing Investment HK**"), a wholly-owned subsidiary of Beijing Investment Company, 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 2021 general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2022 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 2021.

By order of the Board
Chairman
Pei Hongwei

Beijing, 25 March 2022

REPORT OF THE BOARD OF SUPERVISORS

Dear Shareholders,

During the year of 2021, 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 2020 Report of the Board of Supervisors in March 2021 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 2021 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 MEMBERS 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 2021 and the audited annual financial statements for 2021 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 2022, 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, 25 March 2022

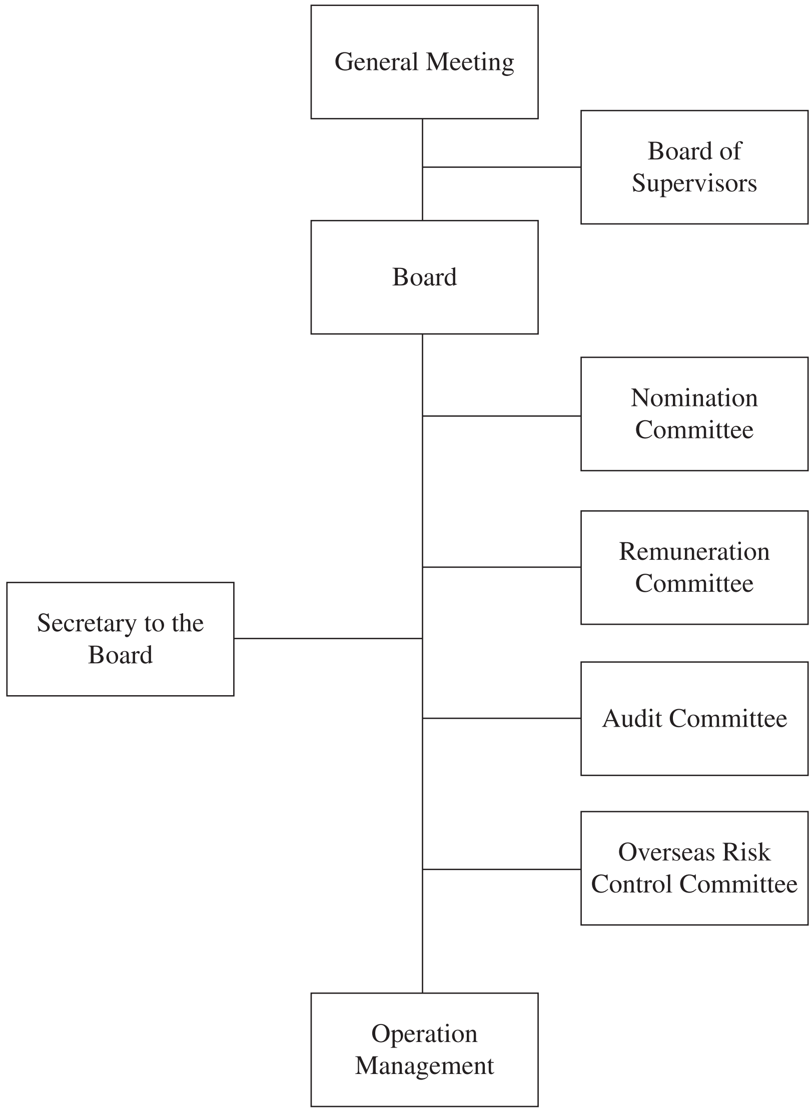
CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 two general meetings in total, and submitted 14 proposals to the general meeting. 11 Board meetings were convened, including one Board meeting conducted by the chairman of the Board and the independent non-executive Directors, at which 40 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 (resigned on 28 May 2021)	15 August 2018 to 28 May 2021
Ms. Wu Donghui	Non-executive Director	15 August 2018 to 14 August 2021
Ms. Shi Huaxin	Non-executive Director (appointed on 28 May 2021)	28 May 2021 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. Wang Tao	Non-executive Director	10 October 2020 to 14 August 2021
Mr. Ren Chong	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Wang Guofeng	Independent non-executive Director	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

Changes in the Board members during the period from 1 January 2021 to the date of this report are as follows:

Due to change in work arrangement, Mr. Tang Shuchang has tendered to the Company his resignation from his position as a non-executive Director of the Company on 10 March 2021, with effect from 28 May 2021.

At the 2020 annual general meeting held on 28 May 2021, Ms. Shi Huaxin was appointed as a non-executive Director of the Company, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 10 March 2021 and 28 May 2021 and the circular of the Company dated 7 May 2021.

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 (resigned on 28 May 2021)	✔		
Ms. Wu Donghui	✔	✔	✔
Ms. Shi Huaxin (appointed on 28 May 2021)	✔	✔	✔
Mr. Guan Jifa	✔	✔	✔
Mr. Ren Yuhang	✔	✔	✔
Mr. Su Bin	✔	✔	✔
Mr. Wang Tao	✔	✔	✔
Mr. Ren Chong	✔	✔	✔
Independent non-executive Directors			
Mr. Wang Guofeng	✔	✔	✔
Mr. Ma Xufei	✔	✔	✔
Mr. Sun Maozhu	✔	✔	✔
Mr. Liang Qinghuai	✔	✔	✔
Mr. Qin Guisheng	✔	✔	✔

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened two general meetings in total, and submitted 14 proposals to the general meeting. 11 Board meetings were convened, including one Board meeting conducted by the chairman of the Board and the independent non-executive Directors, at which 40 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	10	10	0
Mr. Li Guoqing	10	10	0
Mr. Pei Hongwei	11	11	0
Mr. Tang Shuchang (resigned on 28 May 2021)	5	5	0
Ms. Wu Donghui	10	10	0
Ms. Shi Huaxin (appointed on 28 May 2021)	5	5	0
Mr. Guan Jifa	10	8	2
Mr. Ren Yuhang	10	7	3
Mr. Su Bin	10	7	3
Mr. Wang Tao	10	8	2
Mr. Ren Chong	10	8	2
Mr. Wang Guofeng	11	11	0
Mr. Ma Xufei	11	10	1
Mr. Sun Maozhu	11	11	0
Mr. Liang Qinghuai	11	10	1
Mr. Qin Guisheng	11	11	0

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

- the convening of two general meetings and submission of 14 resolutions to the general meeting, including the audited consolidated financial statements for 2020 and its summary, the Report of the Board of Directors for 2020, the report of final financial accounts for 2020, the investment plans for 2021, the profits distribution plan and the dividend declaration proposal for 2020, the re-appointment of auditors for 2021 and the payment of the audit fee for 2020, the appointment of non-executive Directors of the Company, the proposed amendments to the Articles of Association, 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 11 Board meetings and consideration and approval of 40 resolutions, including the completion of investments in 2020 and the investment plan for 2021, the interim results announcement and interim report of the Company for 2021, the determination of the annual caps and framework agreement for the continued connected transaction with Beijing Infrastructure Investment Co., Ltd. (2021-2023), the investment in the PPP project for the Bishan-to-Tongliang line of Chongqing suburban railway and the establishment of project companies.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 42 to 64, with two female members.

During the Year, the Nomination Committee held one meeting in total to consider and approve the resolutions on the nomination of Ms. Shi Huaxin as a candidate for non-executive Director, Mr. Xia Xiujiang as a candidate for the deputy general manager of the Company, and Mr. Xu Chengyong as a candidate for the chief planner of the Company. 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 Guofeng	Independent non-executive Director	1	1	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 Guofeng	Chairman of the Remuneration Committee Independent non-executive Director	1	1	0
Ms. Wu Donghui	Non-executive Director	1	0	1
Mr. Ren Chong	Non-executive Director	1	0	1
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.

During the Year, the Audit Committee held three meetings in total to consider and approve the proposals in respect of the result of audit on 2020 annual report, independence of external auditors, efficiency of internal control system, the result of review on 2021 interim report and the audit plan for 2022. 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	0	3
Mr. Wang Tao	Non-executive Director	3	3	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 2021.

EXTERNAL AUDITORS

In 2021, 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 2021 and reviewing the interim financial report of 2021. 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 RMB102,000 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 2021, 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 2021, 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 2021 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 Secretary

Mr. Xuan Wenchang has independently served as the company secretary of the Company since 1 October 2020. In 2021, Mr. Xuan Wenchang has received relevant professional trainings for not less than 15 hours. 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 secretary for seeking opinions and obtaining information.

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 2021, the Company convened one extraordinary general meeting and one annual general meeting in total, at which 14 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	2	1
Mr. Li Guoqing	2	2
Mr. Pei Hongwei	2	1
Mr. Tang Shuchang (resigned on 28 May 2021)	1	0
Ms. Wu Donghui	2	2
Ms. Shi Huaxin (appointed on 28 May 2021)	1	1
Mr. Guan Jifa	2	2
Mr. Ren Yuhang	2	0
Mr. Su Bin	2	0
Mr. Wang Tao	2	2
Mr. Ren Chong	2	0
Mr. Wang Guofeng	2	2
Mr. Ma Xufei	2	2
Mr. Sun Maozhu	2	1
Mr. Liang Qinghuai	2	2
Mr. Qin Guisheng	2	2

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 2020 annual results and 2021 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, in order to facilitate the diversified development of the Company and provide new economic growth points for the corporate development, and in line with the business development 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 after the approval of the Board and the general meeting of the Company. For details of the amendments, please refer to the announcement of the Company dated 28 May 2021, and the circular of the Company dated 7 May 2021.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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Fax: +852 2868 4432
ey.com

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 109 to 232, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 the 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.	Our audit procedures included, but are not limited to, the following : 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 IFRSs. 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.

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 2021, the trade receivables and contract assets of the Group amounted to RMB13,086 million, which represented 54% 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 23 "Contract assets and financial receivables" and note 24 "Trade and bills receivables" to the consolidated financial statements.	Our audit procedures included, but are not limited to, the following： 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 experienced significant financial difficulty, default or delinquency in interest or principal payments. For the recognition of impairment provision for receivables and contract assets by reference to the credit risk portfolio, we reviewed the management's settings for the credit risk portfolio, evaluated the rationality of the impairment loss rate in combination with the consideration of historical audit experience and forward-looking information, and selected samples to review the rationality of the credit risk, portfolio classification and impairment provision. 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
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 the applicable accounting model, estimating future guaranteed receipts, and estimation of the prevailing market rate of construction gross margins, and the 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 16 "Intangible assets", and note 23 "Contract assets and financial receivables" to the consolidated financial statements.	Our audit procedures included, but are not limited to, the following： 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 IFRSs by reviewing the contract terms of whether the Group has 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 contract assets and 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.

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
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**9,501,471**	9,453,562
Cost of sales	7	**(7,740,298)**	(7,722,077)
Gross profit		**1,761,173**	1,731,485
Other income and gains	5	**445,034**	401,514
Selling and distribution expenses		**(72,534)**	(58,425)
Administrative expenses		**(773,870)**	(743,280)
Impairment losses on financial and contract assets, net	7	**(370,796)**	(267,382)
Other expenses		**(16,605)**	(16,768)
Finance costs	6	**(280,370)**	(243,295)
Share of profits and losses of:			
Joint ventures		**225,449**	87,170
Associates		**(2,221)**	315
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**915,260**	891,334
Income tax expense	9	**(130,159)**	(108,236)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**785,101**	783,098
DISCONTINUED OPERATION			
Profit for the year from the discontinued operation	10	**49,132**	24,454
PROFIT FOR THE YEAR		**834,233**	807,552
Profit attributable to:			
Owners of the parent	12	**851,827**	786,535
Non-controlling interests		**(17,594)**	21,017
		834,233	807,552
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)			
For profit for the year	12	**0.63**	0.58
For profit from continuing operations	12	**0.60**	0.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000 (Restated)
PROFIT FOR THE YEAR		**834,233**	807,552
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**209**	435
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(2,956)**	(450)
Remeasurement (losses)/gains on defined benefit plans, net of tax	*30*	**(2,240)**	4,370
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**(5,196)**	3,920
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(4,987)**	4,355
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**829,246**	811,907
Attributable to:			
Owners of the parent		**846,840**	790,890
Non-controlling interests		**(17,594)**	21,017
		829,246	811,907

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**829,412**	827,745
Goodwill	*14*	**5,741**	5,741
Right-of-use assets	*15(a)*	**526,837**	451,698
Intangible assets	*16*	**558,873**	405,552
Investments in joint ventures	*17*	**1,876,372**	1,640,923
Investments in associates	*18*	**183,593**	66,245
Financial assets at fair value through profit or loss	*19*	**419,000**	274,000
Equity investments designated at fair value through other comprehensive income	*20*	**17,521**	15,701
Deferred tax assets	*21*	**247,924**	241,944
Contract assets and financial receivables	*23*	**5,305,972**	5,166,721
Prepayments, other receivables and other assets	*25*	**306,635**	271,604
Total non-current assets		**10,277,880**	9,367,874
CURRENT ASSETS			
Inventories	*22*	**82,693**	144,693
Trade and bills receivables	*24*	**3,999,167**	4,245,437
Prepayments, other receivables and other assets	*25*	**904,985**	556,795
Contract assets and financial receivables	*23*	**3,842,391**	3,171,538
Financial assets at fair value through profit or loss	*19*	**8,602**	–
Pledged deposits	*26*	**41,217**	39,181
Cash and bank balances	*26*	**3,984,180**	3,533,993
		12,863,235	11,691,637
Assets of a disposal group classified as held for sale	*10*	**1,086,817**	–
Total current assets		**13,950,052**	11,691,637
CURRENT LIABILITIES			
Trade and bills payables	*27*	**4,443,096**	4,512,247
Other payables and accruals	*28*	**4,670,709**	4,699,552
Interest-bearing bank and other borrowings	*29*	**2,363,745**	558,553
Provisions for supplementary retirement benefits	*30*	**3,259**	3,600
Tax payable		**60,754**	48,360
Provision	*31*	**7,381**	4,357
		11,548,944	9,826,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Liabilities directly associated with the assets classified as held for sale	10	997,504	–
Total current liabilities		12,546,448	9,826,669
NET CURRENT ASSETS		1,403,604	1,864,968
TOTAL ASSETS LESS CURRENT LIABILITIES		11,681,484	11,232,842
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	1,945	16,435
Interest-bearing bank and other borrowings	29	4,818,576	4,971,816
Provisions for supplementary retirement benefits	30	66,065	63,475
Other payables and accruals	28	406,529	366,839
Provision	31	36,208	66,204
Total non-current liabilities		5,329,323	5,484,769
Net assets		6,352,161	5,748,073
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	1,348,670	1,348,670
Reserves	33	4,736,809	4,101,440
		6,085,479	5,450,110
Non-controlling interests		266,682	297,963
Total equity		6,352,161	5,748,073

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 2020 and 1 January 2021	1,348,670	739,780	5,288	–	384,319	293	2,971,760	5,450,110	297,963	5,748,073
Profit for the year	–	–	–	–	–	–	851,827	851,827	(17,594)	834,233
Other comprehensive income for the year:										
Remeasurement losses on defined benefit plans, net of tax	–	(2,240)	–	–	–	–	–	(2,240)	–	(2,240)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(2,956)	–	–	–	–	(2,956)	–	(2,956)
Exchange differences on translation of foreign operations	–	–	–	–	–	209	–	209	–	209
Total comprehensive income for the year	–	(2,240)	(2,956)	–	–	209	851,827	846,840	(17,594)	829,246
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(5,012)	(5,012)
Final 2020 dividend declared	–	–	–	–	–	–	(211,471)	(211,471)	–	(211,471)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	(8,675)	(8,675)
Appropriation to statutory surplus reserve	–	–	–	–	77,236	–	(77,236)	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(384)	–	–	–	384	–	–	–
Transfer to special reserve *(note (i))*	–	–	–	97,521	–	–	(97,521)	–	–	–
Utilisation of special reserve *(note (i))*	–	–	–	(95,302)	–	–	95,302	–	–	–
At 31 December 2021	1,348,670	737,540*	1,948*	2,219*	461,555*	502*	3,533,045*	6,085,479	266,682	6,352,161

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2021

	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 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

* The reserve accounts comprise the consolidated reserves of RMB4,736,809,000 (31 December 2020: RMB4,101,440,000) in the consolidated statement of financial position as at 31 December 2021.

Note:

(i) In the 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 2020 and 2021 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**915,260**	891,334
From the discontinued operation	*10*	**50,136**	23,054
Adjustments for:			
Finance costs		**284,211**	245,956
Foreign exchange differences, net		**16,606**	14,833
Interest income		**(415,073)**	(372,662)
Fair value gains of financial assets at fair value through profit or loss	*5*	**(7,694)**	(3,190)
Share of profits of associates and joint ventures		**(223,228)**	(87,485)
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	*15*	**119,726**	111,451
Depreciation of items of property, plant and equipment	*13*	**77,274**	50,465
Amortisation of intangible assets	*16*	**16,308**	7,541
Impairment of trade and bills receivables, net	*24*	**291,170**	208,611
Impairment of prepayments, other receivables, net	*25*	**11,655**	755
Impairment of contract assets and financial receivables, net	*23*	**80,752**	79,675
Provision for foreseeable losses on contracts, net	*7*	**4,136**	1,996
(Gains)/losses on disposal of items of property, plant and equipment and right-of-use assets, net	*7*	**(2,944)**	1,940
		1,218,295	1,161,393
Decrease/(increase) in inventories		**54,624**	(28,450)
(Increase)/decrease in contract assets and financial receivables		**(699,485)**	22,635
(Increase)/decrease in trade and bills receivables		**(581,277)**	316,064
(Increase)/decrease in prepayments, other receivables and other assets		**(350,919)**	632,606
Increase in pledged deposits		**(3,053)**	(10,312)
Increase/(decrease) in trade and bills payables		**647,682**	(189,353)
Increase/(decrease) in other payables and accruals		**152,623**	(1,086,457)
(Decrease)/increase in provision		**(23,531)**	11,884
Increase in provisions for supplementary retirement benefits		**351**	790
Cash flows from operations		**415,310**	830,800
Interest received		**30,269**	44,806
Income tax paid		**(141,921)**	(140,618)
Net cash flows from operating activities		**303,658**	734,988

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(148,919)**	(130,719)
Purchases of intangible assets		**(130,234)**	(265,998)
Purchases of financial assets at fair value through profit or loss		**(145,908)**	(136,170)
Addition of investments in associates and joint ventures		**(130,029)**	(487,360)
Addition of equity investments designated at fair value through other comprehensive income		**(7,020)**	(1)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**5,758**	2,904
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		**1,718**	193
Acquisition of subsidiaries, net of cash acquired		**–**	75,440
Withdraw of an investment to a non-controlling shareholder		**(5,012)**	–
Decrease in non-pledged time deposits with original maturity of more than three months		**–**	958
Loans provided to a joint venture	*37(a)*	**(204,000)**	–
Net cash flows used in investing activities		**(763,646)**	(942,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(260,546)**	(230,920)
Dividend paid to shareholders		**(217,138)**	(167,609)
Dividend paid to non-controlling shareholders		**(11,125)**	(7,075)
Principal portion of lease payments		**(115,251)**	(109,285)
New bank and other borrowings		**2,313,648**	760,989
Repayment of bank and other borrowings		**(680,689)**	(373,491)
Net cash flows from/(used in) financing activities		**1,028,899**	(127,391)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**568,911**	(334,884)
Cash and cash equivalents at beginning of year		**3,533,750**	3,883,735
Effect of exchange rate changes on cash and cash equivalents		**(16,397)**	(15,101)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*26*	**4,086,264**	3,533,750

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 Direct	Indirect	Principal activities
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")		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. ("北京城建智控科技股份有限公司")	(i)	The PRC/Mainland China 10 October 2014	RMB70,000,000	60%	–	Technical consulting and technical services

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 Direct	Indirect	Principal activities
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
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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 Direct	Indirect	Principal activities
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
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")	(ii)	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

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 Direct	Indirect	Principal activities
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")		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")		The PRC/ Mainland China 25 September 2020	RMB149,973,200	70%	–	Construction project investment, construction and operation maintenance
Beijing Yaocheng Cultural and Creative Technology Development Co., Ltd. ("北京耀城文創科技發展有限公司")	(iii)	The PRC/ Mainland China 26 September 2021	RMB10,000,000	100%	–	Technology development and consulting services

* 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:

(i) On 28 September 2021, the Company entered into a share reform agreement of Beijing Urban Construction Zhikong Technology Co., Ltd. ("BUCZT") with other parties, including the Company's holding company and its affiliate. The registered capital of BUCZT increased from RMB30,000,000 to RMB70,000,000.

(ii) On 22 June 2021, Jiangsu Jingjian Capital Construction Investment Co., Ltd. was cancelled.

(iii) On 26 September 2021, Beijing Yaocheng Cultural and Creative Technology Development Co., Ltd. was established by the Company. The Company directly owned a 100% equity interest in the entity.

BUCZT is a company limited by shares, and the other 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 2021. 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the year ended 31 December 2021, 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 2021 and elected not to apply lease modification accounting for all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. 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 2021.

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	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 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

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

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.

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 resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to 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 *Classification of Liabilities as Current or Non-current* 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.

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

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

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

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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 Standards 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 the consolidated statement of 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*.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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.

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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.

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% to 9.7%
Production equipment	6.5% to 9.7%
Motor vehicles	9.5% to 19.4%
Measurement and experimental equipment	9.5% to 19.4%
Office equipment and others	9.5% to 31.7%
Leasehold improvements	10.0% to 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.

Non-current assets and disposal groups held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets and disposal groups held for sale (continued)

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

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 to 5 years
Operating concession	20 years
Backlog	5 years

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.

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% to 92.3%
Motor vehicles	20% to 92.3%
Measurement and experimental equipment	50% to 92.3%
Land	2.0%

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Share-based payments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Retirement benefits (continued)

(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.

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 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 asset 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 asset up to the amount guaranteed by the grantors, and as an intangible asset for the balance.

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

Judgement is also exercised in determining the fair value of the financial assets. 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 23 and note 24 to the financial statements, respectively.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB5,741,000 (2020: RMB5,741,000). Further details are given in note 14.

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 30.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	4,102,495	5,398,976	–	9,501,471
Intersegment sales	28,563	–	(28,563)	–
Revenue from continuing operations	4,131,058	5,398,976	(28,563)	9,501,471
Segment results	759,361	20,098	(1,250)	778,209
Interest income	1,370	398,764	–	400,134
Finance costs	(30,650)	(249,720)	–	(280,370)
Profit of segments for the year from continuing operations	730,081	169,142	(1,250)	897,973
Income tax expense				(130,159)
Unallocated interest income				17,287
Profit for the year from continuing operations				785,101
Segment assets	10,060,467	12,289,012	(1,424,887)	20,924,592
Corporate and other unallocated assets				2,216,523
Assets related to the discontinued operation				1,086,817
Total assets				24,227,932
Segment liabilities	7,582,633	10,627,774	(1,394,838)	16,815,569
Corporate and other unallocated liabilities				62,698
Liabilities related to the discontinued operation				997,504
Total liabilities				17,875,771
Other segment information				
Share of profits and losses of:				
Joint ventures	225,449	–	–	225,449
Associates	(2,221)	–	–	(2,221)
Depreciation	162,045	17,349	–	179,394
Amortisation	7,840	5,979	–	13,819
Provision for				
– foreseeable losses on contracts	3,940	196	–	4,136
– impairment of trade and bills receivables, contract assets and financial receivables, other receivables, net	149,098	221,698	–	370,796
Investments in joint ventures	1,876,372	–	–	1,876,372
Investments in associates	183,593	–	–	183,593
Capital expenditure*				
– continuing operations	304,435	265,608	–	570,043
– discontinued operation				24,180

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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	3,668,778	5,784,784	–	9,453,562
Intersegment sales	19,579	–	(19,579)	–
Revenue from continuing operations	3,688,357	5,784,784	(19,579)	9,453,562
Segment results	513,819	247,208	3,445	764,472
Interest income	1,088	360,343	–	361,431
Finance costs	(8,213)	(235,082)	–	(243,295)
Profit of segments for the year from continuing operations	506,694	372,469	3,445	882,608
Income tax expense				(108,236)
Unallocated interest income				8,726
Profit for the year from continuing operations				783,098
Segment assets	6,828,904	13,743,173	(1,536,326)	19,035,751
Corporate and other unallocated assets				2,023,760
Total assets				21,059,511
Segment liabilities	6,669,188	10,121,734	(1,552,396)	15,238,526
Corporate and other unallocated liabilities				72,912
Total liabilities				15,311,438
Other segment information				
Share of profits and losses of:				
Joint ventures	87,170	–	–	87,170
Associates	315	–	–	315
Depreciation	136,079	11,716	–	147,795
Amortisation	7,521	–	–	7,521
Provision for				
– foreseeable losses on contracts	1,994	2	–	1,996
– impairment of trade and bills receivables, contract assets and financial receivables, other receivables, net	168,488	98,894	–	267,382
Investments in joint ventures	1,640,923	–	–	1,640,923
Investments in associates	66,245	–	–	66,245
Capital expenditure*				
– continuing operations	303,393	302,539	–	605,932
– discontinued operation				18,581

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
China	**9,471,484**	9,412,940
Other countries	**29,987**	40,622
	9,501,471	9,453,562

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

(b) Non-current assets

	31 December 2021	31 December 2020
	RMB'000	RMB'000
China	**9,570,746**	8,813,812

The non-current asset information of continuing operations above is located in China and excludes financial assets and deferred tax assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2021, there was one (2020: one) customer of the Group from which the revenue accounted for over 10% of the Group's total revenue.

Year ended 31 December 2021

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	**457,577**	**1,453,461**	**1,911,038**

Year ended 31 December 2020

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

5. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**9,446,793**	9,440,517
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**51,861**	4,948
Other lease payments, including fixed payments	**2,817**	8,097
	54,678	13,045
	9,501,471	9,453,562

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Types of goods or services		
Design, survey and consultancy	**4,099,678**	3,660,681
Construction contracting and others	**5,347,115**	5,779,836
	9,446,793	9,440,517
Timing of revenue recognition		
Services transferred at a point in time	**61,565**	41,694
Services transferred over time	**9,385,228**	9,398,823
	9,446,793	9,440,517
Geographical markets		
China	**9,416,806**	9,399,895
Other countries	**29,987**	40,622
	9,446,793	9,440,517

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 2021

Segment	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,099,678	5,347,115	9,446,793
Intersegment sales	28,563	–	28,563
	4,128,241	5,347,115	9,475,356
Intersegment adjustments and eliminations	(28,563)	–	(28,563)
Total revenue from contracts with customers	4,099,678	5,347,115	9,446,793

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	3,660,681	5,779,836	9,440,517
Intersegment sales	19,579	–	19,579
	3,680,260	5,779,836	9,460,096
Intersegment adjustments and eliminations	(19,579)	–	(19,579)
Total revenue from contracts with customers	3,660,681	5,779,836	9,440,517

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.

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Other income and gains			
Interest income	*7*	**417,421**	370,157
Gain on remeasurement of the previously held interest in an acquiree at its acquisition date in a step acquisition of a subsidiary	*7*	**–**	12,881
Fair value gains of financial assets at fair value through profit or loss	*7*	**7,694**	3,190
Government grants	*7*	**5,310**	4,891
Additional tax deduction for input VAT		**5,425**	2,673
Others		**9,184**	7,722
		445,034	401,514

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest on bank and other borrowings	**266,268**	232,051
Interest on lease liabilities	**14,102**	11,244
	280,370	243,295

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

7. PROFIT BEFORE TAX

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

		Year ended 31 December	
	Notes	**2021** **RMB'000**	2020 RMB'000
Cost of design, survey and consultancy services		**2,855,442**	2,552,949
Cost of construction contracting services and others		**4,884,856**	5,169,128
Total cost of sales		**7,740,298**	7,722,077
Depreciation of property, plant and equipment		**70,737**	45,798
Depreciation of right-of-use assets		**108,657**	101,997
Amortisation of intangible assets		**13,819**	7,521
Total depreciation and amortisation		**193,213**	155,316
Research and development costs		**345,154**	263,725
Impairment of trade and bills receivables, net		**280,161**	192,197
Impairment of contract assets and financial receivables, net		**77,365**	77,033
Impairment of other receivables, net		**13,270**	(1,848)
Provision for foreseeable losses on contracts, net	*31*	**4,136**	1,996
Provision for warranty			
Additional provision	*31*	**17,245**	17,245
Reversals of unutilised provision	*31*	**(43,612)**	–
Lease payments not included in the measurement of lease liabilities	*(b)*	**372,770**	196,827
Auditor's remuneration		**3,380**	3,380
Employee benefit expenses	*(c)*		
(excluding directors' and supervisors' remuneration *(note 8)*):			
Wages, salaries and allowances		**1,650,491**	1,442,822
Retirement benefit costs			
– Defined contribution retirement schemes		**154,610**	116,425
– Defined benefit retirement schemes	*30(c)*	**3,949**	3,860
Total retirement benefit costs		**158,559**	120,285
Welfare and other expenses		**242,253**	229,115
Total employee benefit expenses		**2,051,303**	1,792,222
Financial assets at fair value through profit or loss	*5*	**(7,694)**	(3,190)
Interest income	*5*	**(417,421)**	(370,157)
Government grants	*5*	**(5,310)**	(4,891)
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)/losses on disposal of items of property, plant and equipment and right-of-use assets, net		**(2,944)**	1,940
Foreign exchange differences, net		**16,605**	14,829

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

(a) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB96,304,000 (2020: RMB92,438,000) was included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2021.

(b) Lease payments not included in the measurement of lease liabilities of approximately RMB356,909,000 (2020: RMB163,778,000) were included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2021.

(c) Employee benefit expenses of approximately RMB1,529,487,000 (2020: RMB1,205,133,000) were included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2021.

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	
	2021	2020
	RMB'000	RMB'000
Fees	**588**	697
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,128**	1,099
– Performance-related bonuses	**2,966**	2,901
– Pension schemes	**411**	338
	5,093	5,035

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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

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

Year ended 31 December 2021

	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)		–	308	874	87	1,269
Mr. Li Guoqing (李國慶)		–	308	874	87	1,269
		–	616	1,748	174	2,538
Non-executive directors						
Mr. Pei Hongwei (裴宏偉)		–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)	*(i)*	–	–	–	–	–
Ms. Wu Donghui (吳東慧)		–	–	–	–	–
Mr. Guan Jifa (關繼發)		–	–	–	–	–
Mr. Ren Yuhang (任宇航)		–	–	–	–	–
Mr. Su Bin (蘇斌)		–	–	–	–	–
Mr. Wang Tao (汪濤)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
Ms. Shi Huaxin (史樺鑫)	*(ii)*	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Mr. Wang Guofeng (王國鋒)		31	–	–	–	31
Mr. Ma Xufei (馬旭飛)		123	–	–	–	123
Mr. Sun Maozhu (孫茂竹)		123	–	–	–	123
Mr. Liang Qinghuai (梁青槐)		123	–	–	–	123
Mr. Qin Guisheng (覃桂生)		123	–	–	–	123
		523	–	–	–	523
Supervisors						
Ms. Nie Kun (聶菎)		–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Ms. Yang Huiju (楊卉菊)		–	187	349	86	622
Mr. Liu Hao (劉皓)		–	162	680	87	929
Mr. Ban Jianbo (班健波)		–	163	189	64	416
Mr. Hu Shengjie (胡聖傑)		–	–	–	–	–
Mr. Liang Wangnan (梁望南)		–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		65	–	–	–	65
		65	512	1,218	237	2,032
		588	1,128	2,966	411	5,093

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 (鬱曉軍)	*(iii)*	–	–	–	–	–
Mr. Wang Tao (汪濤)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Mr. Wang Dexing (王德興)	*(iv)*	94	–	–	–	94
Mr. Wang Guofeng (王國鋒)		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 (聶菎)		–	–	–	–	–
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	1,284	198	2,042
		697	1,099	2,901	338	5,035

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

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

Notes:

(i) Mr. Tang Shuchang resigned as a Non-executive Director with effect from 28 May 2021.

(ii) Ms. Shi Huaxin was appointed as a Non-executive Director with effect from 28 May 2021.

(iii) Mr. Yu Xiaojun resigned as a Non-executive Director with effect from 10 October 2020.

(iv) Mr. Wang Dexing resigned 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 2021 and 2020 is as follows:

	Year ended 31 December	
	2021	2020
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	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,171**	1,127
Performance-related bonuses	**9,728**	9,905
Pension schemes	**436**	352
	11,335	11,384

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 bands is as follows:

	Year ended 31 December 2021	2020
HK$2,000,001 to HK$2,500,000 (Equivalent to RMB1,635,201 to RMB2,044,000)	**1**	–
HK$2,500,001 to HK$3,000,000 (Equivalent to RMB2,044,001 to RMB2,452,800)	**3**	5
HK$3,000,001 to HK$3,500,000 (Equivalent to RMB2,452,801 to RMB2,861,600)	**1**	–

During the years ended 31 December 2021 and 2020, 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 2021 and 2020 in accordance with the PRC Corporate Income Tax Law. 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 2021 and 2020.

		Year ended 31 December	
	Notes	**2021 RMB'000**	2020 RMB'000
Current income tax – Mainland China		**107,366**	159,205
Deferred income tax	*21*	**22,793**	(50,969)
Total tax charge for the year from continuing operations		**130,159**	108,236
Total tax charge/(credit) for the year from the discontinued operation	*10*	**1,004**	(1,400)
		131,163	106,836

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 2021 and 2020 is as follows:

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Profit before tax from continuing operations		**915,260**	891,334
Profit before tax from the discontinued operation	*10*	**50,136**	23,054
		965,396	914,388
Income tax at the statutory income tax rate		**241,349**	228,597
Effect of different income tax rate for some entities		**(20,516)**	(67,070)
Tax effect of share of profits and losses of joint ventures and associates		**(55,807)**	(21,871)
Additional tax deduction for research and development expenditure		**(41,114)**	(31,406)
Expenses not deductible for tax purposes		**8,243**	3,281
Adjustments in respect of current tax of previous periods		**2,581**	1,437
Tax losses utilised from previous periods		**(2,649)**	(6,651)
Tax losses not recognised		**–**	519
Others		**(924)**	–
Tax charge for the year at the effective rate		**131,163**	106,836
Tax charge from continuing operations at the effective rate		**130,159**	108,236
Tax charge/(credit) from the discontinued operation at the effective rate		**1,004**	(1,400)

10. DISCONTINUED OPERATION

On 10 November 2021, the Company announced the decision of its board of directors to dispose of BUCZT (details of which are set out in the announcement of the Company dated 10 November 2021). BUCZT engages in the research and development, production, sales and integration services businesses of products related to the rail transit. The Group has decided to cease the business mainly because it plans to optimize resource allocation and focuses on the development of the principal business. The disposal of BUCZT is due to be completed on 4 January 2022. As at 31 December 2021, final approval for the disposal was not completed and BUCZT was classified as a disposal group held for sale and as a discontinued operation. With BUCZT being classified as a discontinued operation, research and development, production, sales and integration services businesses of products related to the rail transit business in the segment of construction contracting was classified as the discontinued operation (note 4).

The results of BUCTZ for the year are presented below:

	Note	**2021 RMB'000**	2020 RMB'000
REVENUE		**986,639**	531,329
Cost of sales		**(737,415)**	(366,287)
Gross profit		**249,224**	165,042
Other income and gains		**379**	3,150
Selling and distribution expenses		**(27,377)**	(20,352)
Administrative expenses		**(153,015)**	(100,461)
Impairment losses on financial and contract assets		**(12,781)**	(21,659)
Other expenses		**(2)**	(5)
Finance costs		**(6,292)**	(2,661)
Profit before tax from the discontinued operation		**50,136**	23,054
Income tax expense	*9*	**(1,004)**	1,400
Profit for the year from the discontinued operation		**49,132**	24,454

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

10. DISCONTINUED OPERATION (CONTINUED)

The major classes of assets and liabilities of BUCZT classified as held for sale as at 31 December 2021 are as follows:

	Notes	**RMB'000**
Assets		
Property, plant and equipment	*13*	**52,747**
Right-of-use assets	*15*	**38,142**
Intangible assets	*16*	**1,146**
Deferred tax assets	*21*	**13,736**
Inventories		**7,374**
Trade and bills receivables		**536,379**
Prepayments, other receivables and other assets		**125,059**
Contract assets		**208,891**
Pledged deposits		**1,016**
Cash and bank balances	*26*	**102,327**
Assets classified as held for sale		**1,086,817**
Liabilities		
Trade payables		**(675,806)**
Other payables and accruals		**(165,805)**
Interest-bearing bank and other borrowings		**(138,245)**
Tax payable		**(10,070)**
Provision		**(7,578)**
Liabilities directly associated with the assets classified as held for sale		**(997,504)**
Net assets directly associated with the disposal group		**89,313**

10. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by BUCZT are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Operating activities	**(58,722)**	(144,720)
Investing activities	**(29,640)**	(227)
Financing activities	**67,435**	36,656
Net cash outflow	**(20,927)**	(108,291)
Earnings per share:		
Basic and diluted from the discontinued operation (expressed in RMB per share)	**0.04**	0.02

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**49,132**	24,454

	Year ended 31 December 2021 '000	Year ended 31 December 2020 '000
Number of shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 12)	**1,348,670**	1,348,670

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

11. DIVIDENDS

The dividends during the years ended 31 December 2021 and 2020 are set out below:

		Year ended 31 December	
		2021	2020
	Notes	**RMB'000**	RMB'000
Declared:			
Final dividend – RMB0.1568 (2019: RMB0.1290) per ordinary share	*(i)*	**211,471**	173,978
Proposed:			
Final dividend – RMB0.1679 (2020: RMB0.1568) per ordinary share	*(ii)*	**226,442**	211,471

Notes:

(i) At the annual general meeting held on 26 March 2021, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2020 of RMB0.1568 per share, which amounted to RMB211,471,000 and was settled before December 2021.

(ii) On 25 March 2022, the board of directors proposed the payment of a final dividend of RMB0.1679 per ordinary share in respect of the year ended 31 December 2021, 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.

12. 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	
	2021	2020
	RMB'000	RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent		
From continuing operations	**802,695**	762,081
From the discontinued operation	**49,132**	24,454
	851,827	786,535

	Year ended 31 December	
	2021	2020
	'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 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

	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 2021:									
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
At 1 January 2021, net of accumulated depreciation	461,801	167,930	10,472	19,915	72,128	49,611	42,641	3,247	827,745
Additions	10,678	–	7,963	1,214	40,739	21,548	46,955	5,406	134,503
Assets included in the discontinued operation *(note 10)*	–	–	–	–	(26,739)	(6,853)	(14,141)	(5,014)	(52,747)
Transfer	–	–	1,376	–	2,008	255	–	(3,639)	–
Disposals	–	(1,435)	(15)	(981)	–	(384)	–	–	(2,815)
Depreciation provided during the year	(11,860)	(2,969)	(2,509)	(4,266)	(12,251)	(15,188)	(28,231)	–	(77,274)
At 31 December 2021, net of accumulated depreciation	460,619	163,526	17,287	15,882	75,885	48,989	47,224	–	829,412
At 31 December 2021:									
Cost	504,126	299,237	24,610	50,127	143,833	123,017	159,927	–	1,304,877
Accumulated depreciation	(43,507)	(135,711)	(7,323)	(34,245)	(67,948)	(74,028)	(112,703)	–	(475,465)
Net carrying amount	460,619	163,526	17,287	15,882	75,885	48,989	47,224	–	829,412

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:									
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
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	–	–	–	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	(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

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 RMB384,490,000 as at 31 December 2021 (2020: RMB6,119,000). 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 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

14. GOODWILL

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost and net carrying amount at beginning of year	**5,741**	–
Acquisition of a subsidiary	**–**	5,741
Cost and net carrying amount at end of year	**5,741**	5,741

Impairment testing of goodwill

The goodwill arose from the business combination of Beijing Rail Transit Design and Research Institute Co., Ltd. ("Rail Transit Institute"). The recoverable amount of Rail Transit Institute has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12% (2020: 17%). The growth rate used to extrapolate the cash flow of Rail Transit Institute beyond the five-year period is 2% (2020: 3%).

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying amount of the goodwill.

Assumptions were used in the value in use calculation of relevant units for 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development and the discount rates are consistent with external information sources.

15. 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 50 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 8 years, while motor vehicles, measurement and experimental equipment generally have lease terms between 13 months and 2 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	Measurement and experimental equipment RMB'000	Total RMB'000
As at 1 January 2021		**216,018**	**231,149**	**4,531**	**–**	**451,698**
Additions		**–**	**284,481**	**2,551**	**1,913**	**288,945**
Assets included in the discontinued operation	*10*	**–**	**(38,142)**	**–**	**–**	**(38,142)**
Disposal		**–**	**(55,689)**	**(249)**	**–**	**(55,938)**
Depreciation charge		**(5,152)**	**(109,523)**	**(4,274)**	**(777)**	**(119,726)**
As at 31 December 2021		**210,866**	**312,276**	**2,559**	**1,136**	**526,837**

	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	–	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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

15. 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:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**229,914**	233,092
Acquisition of a subsidiary	**–**	14,929
New leases	**288,945**	100,363
Assets included in the discontinued operation	**(43,111)**	–
Disposal	**(60,487)**	(20,429)
Accretion of interest recognised	**15,741**	11,244
Payments	**(115,251)**	(109,285)
Carrying amount at 31 December	**315,751**	229,914
Portion classified as current liabilities	**(104,916)**	(83,521)
Non-current portion	**210,835**	146,393

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:*

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**15,741**	11,244
Depreciation of right-of-use assets	**119,726**	111,451
Expense relating to short-term leases and other leases	**27,618**	46,046
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**345,152**	150,781
Total amount recognised in profit or loss	**508,237**	319,522

15. 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 RMB54,678,000 (2020: RMB13,045,000), details of which are included in note 5 to the financial statements.

At 31 December 2021 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within one year	**4,716**	4,716

16. INTANGIBLE ASSETS

31 December 2021

	Note	**Purchased software RMB'000**	**Operating concession RMB'000**	**Backlog RMB'000**	**Total RMB'000**
At 1 January 2021:					
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**
Cost at beginning of the year, net of accumulated amortisation		**8,689**	**380,063**	**16,800**	**405,552**
Additions		**7,827**	**162,948**	**–**	**170,775**
Assets included in the discontinued operation :					
– Cost	*10*	**(3,654)**	**–**	**–**	**(3,654)**
– Accumulated amortisation for the year	*10*	**2,508**	**–**	**–**	**2,508**
Amortisation provided during the year		**(6,129)**	**(5,979)**	**(4,200)**	**(16,308)**
At 31 December 2021		**9,241**	**537,032**	**12,600**	**558,873**
At 31 December 2021:					
Cost		**41,117**	**543,011**	**21,000**	**605,128**
Accumulated amortisation for the year		**(31,876)**	**(5,979)**	**(8,400)**	**(46,255)**
Net carrying amount		**9,241**	**537,032**	**12,600**	**558,873**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

16. INTANGIBLE ASSETS (CONTINUED)

31 December 2020

	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	2,354	–	21,000	23,354
Additions	3,111	284,756	–	287,867
Disposal	–	(343)	–	(343)
Amortisation provided during the year	(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

As at 31 December 2021, the Group's intangible assets of RMB537,032,000 (2020: RMB380,063,000) were pledged to secure certain of the Group's bank loans amounting to RMB5,302,309,000 (2020: RMB4,611,766,000) (note 29).

17. INVESTMENTS IN JOINT VENTURES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	**1,876,372**	1,640,923

The Group's receivable and payable balances with the joint ventures are disclosed in notes 23, 24, 25, 27 and 28 to the financial statements, respectively.

The investments in joint ventures are all directly held by the Company.

Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. is considered as 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	
	2021	2020
	RMB'000	RMB'000
Non-current assets	**4,455,172**	4,765,082
Current assets	**2,505,578**	1,243,295
Total assets	**6,960,750**	6,008,377
Current liabilities	**1,238,827**	949,763
Non-current liabilities	**3,443,288**	3,029,911
Total liabilities	**4,682,115**	3,979,674
Net assets	**2,278,635**	2,028,703
Profit for the year	**250,098**	94,616
Proportion of the Group's ownership	**78.28%**	78.28%
Carrying amount of the investment	**1,828,890**	1,590,403

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Share of the joint ventures' (loss)/profit for the year	**(3,039)**	845
Share of the joint ventures' other comprehensive income	**–**	–
Share of the joint ventures' total comprehensive (loss)/income	**(3,039)**	845
Aggregate carrying amount of the Group's investments in the joint ventures	**47,482**	50,520

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2021 and 2020.

18. INVESTMENTS IN ASSOCIATES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	**183,593**	66,245

The Group's receivable and payable balances with the associates are disclosed in notes 23, 24, 25, 27 and 28 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.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Share of the associates' profit for the year	**(2,221)**	315
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**(2,221)**	315

	31 December 2021 RMB'000	31 December 2020 RMB'000
Aggregate carrying amount of the Group's investments in the associates	**183,593**	66,245

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Unlisted equity investment, at fair value – non current		
Shaoxing Jingyue Metro Co., Ltd. (“紹興京越地鐵有限公司”)	**419,000**	274,000
Unlisted equity investment, at fair value – current		
Beijing Jiuzhou first rail Environmental Technology Co., Ltd. (“北京九州一軌環境科技股份有限公司”)	**8,602**	–
	427,602	274,000

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 RMB31,189,000 (2020: RMB19,076,000) for the year ended 31 December 2021.

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

	31 December 2021 RMB'000	31 December 2020 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")	3,500	4,500
Zhongdixin Geographic Information Equity Investment Fund Limited. ("中地信地理信息股權投資基金")	7,000	11,200
Zhongshan Deep Water Environmental Water Co., Ltd. ("中山市深水環境水務有限公司")	1	1
China Communications Fourth Airlines (Zhongshan) Environmental Protection Engineering Co., Ltd. ("中交四航(中山)環保工程有限公司")	20	–
Beijing Jingxi Ecological Cultural Tourism Investment Co., Ltd. ("北京京西生態文旅投資有限公司")	7,000	–
	17,521	15,701

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.

21. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2021 and 2020 are as follows:

	Note	2021 RMB'000	2020 RMB'000
Deferred tax assets:			
At beginning of the year		241,944	181,725
Acquisition of a subsidiary		–	810
Deferred tax credited to profit or loss during the year			
– included in continuing operations	9	9,184	52,110
– Included in the discontinued operation		10,532	7,299
At end of the year		261,660	241,944
Deferred tax liabilities:			
At beginning of the year		16,435	12,294
Acquisition of a subsidiary		–	3,150
Deferred tax credited to profit or loss included in continuing operations	9	(13,609)	1,141
Deferred tax credited to other comprehensive income included in continuing operations		(881)	(150)
At end of the year		1,945	16,435

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

21. 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:

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position		**261,660**	241,944
Net deferred tax assets included in the disposal group	*10*	**(13,736)**	–
Net deferred tax assets in respect of continuing operations		**247,924**	241,944
Net deferred tax liabilities recognised in the consolidated statement of financial position		**(1,945)**	(16,435)

The Group has tax losses not recognised for deferred tax arising in Hong Kong of HK$10,805,000 (2020: HK$10,439,000) equivalent to RMB8,969,000 (2020: RMB9,286,000) that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose.

The Group has tax losses not recognised for deferred tax arising in Mainland China of RMB101,605,000 (2020: RMB118,189,000) 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.

22. INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Raw materials	**68,673**	137,891
Spare parts and consumables	**14,020**	6,802
	82,693	144,693

23. CONTRACT ASSETS AND FINANCIAL RECEIVABLES

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract assets and financial receivables arising from:			
Design, survey and consultancy services		**2,680,456**	2,099,990
Construction contracting services		**6,678,072**	6,375,697
		9,358,528	8,475,687
Impairment		**(210,165)**	(137,428)
		9,148,363	8,338,259
Portion classified as non-current contract assets and financial receivables	*(i)*	**(5,305,972)**	(5,166,721)
Current portion		**3,842,391**	3,171,538

Note:

(i) The non-current portion of contract assets and financial receivables mainly represented the contract assets arising from service concession arrangements and retention money as at 31 December 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

23. CONTRACT ASSETS AND FINANCIAL RECEIVABLES (CONTINUED)

As at 31 December 2021 and 2020, the amounts of retentions held by customers for contract works included in contract assets and financial receivables were approximately as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Amounts of retentions in contract assets and financial receivables	**14,438**	120,953

Contract assets and financial receivables 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 and financial receivables are reclassified to trade receivables.

During the year ended 31 December 2021, RMB210,165,000 (2020: RMB137,428,000) was recognised as an allowance for expected credit losses on contract assets and financial receivables. The Group's trading terms and credit policy with customers are disclosed in note 24.

The expected timing of recovery or settlement for contract assets and financial receivables as at 31 December 2021 and 2020 are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within one year	**3,842,391**	3,171,538
After one year	**5,305,972**	5,166,721
Total contract assets and financial receivables	**9,148,363**	8,338,259

23. CONTRACT ASSETS AND FINANCIAL RECEIVABLES (CONTINUED)

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
At beginning of the year	137,428	57,753
Impairment losses recognised	81,139	81,416
Impairment losses reversed	(387)	(1,741)
Impairment losses included in the discontinued operation	(8,015)	–
At end of the year	210,165	137,428

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.

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

	31 December 2021	31 December 2020
Expected credit loss rate	2.25%	1.62%
	RMB'000	RMB'000
Gross carrying amount	9,358,528	8,475,687
Expected credit losses	210,165	137,428

As at 31 December 2021, the Group's contract assets and financial receivables of RMB6,262,047,000 (2020: RMB5,908,260,000) were pledged to secure certain of the Group's bank loans amounting to RMB5,302,309,000 (2020: RMB4,611,766,000) (note 29).

23. CONTRACT ASSETS AND FINANCIAL RECEIVABLES (CONTINUED)

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 and financial receivables are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Beneficial Shareholders and their affiliates	**261,279**	416,974
BUCG	**29,583**	14,001
Fellow subsidiaries	**19,924**	13,106
Associates of BUCG	**2,112**	1,450
An Associate	**1,454**	1,350
Joint ventures	**581**	94
A joint venture of BUCG	**380**	–
	315,313	446,975

* 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 of the Company.

24. TRADE AND BILLS RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables	**4,952,105**	4,986,933
Bills receivable	**62,287**	24,529
	5,014,392	5,011,462
Impairment	**(1,015,225)**	(766,025)
	3,999,167	4,245,437

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.

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 2021 RMB'000	31 December 2020 RMB'000
Within 6 months	**1,338,411**	2,190,933
6 months to 1 year	**740,662**	370,051
1 to 2 years	**1,007,178**	865,115
2 to 3 years	**442,388**	479,685
3 to 4 years	**355,149**	280,020
4 to 5 years	**108,827**	54,767
Over 5 years	**6,552**	4,866
	3,999,167	4,245,437

The movements in loss allowance for impairment of trade and bills receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**766,025**	552,011
Acquisition of a subsidiary	**–**	5,403
Impairment losses recognised	**303,442**	235,468
Impairment losses reversed	**(12,272)**	(26,857)
Impairment losses included in the discontinued operation	**(41,970)**	–
At end of the year	**1,015,225**	766,025

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.

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 2021

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	54.59%	502,067	274,064
Collectively impaired			
Within 6 months	0.55%	1,285,661	7,067
6 months to 1 year	4.04%	599,194	24,236
1 to 2 years	9.26%	1,109,948	102,773
2 to 3 years	16.72%	531,184	88,796
3 to 4 years	30.03%	504,218	151,439
4 to 5 years	50.02%	217,755	108,928
5 to 6 years	90.00%	64,428	57,985
Over 6 years	100.00%	199,937	199,937
	16.43%	4,512,325	741,161
Total	20.25%	5,014,392	1,015,225

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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 2021 RMB'000	31 December 2020 RMB'000
Beneficial Shareholders and their affiliates	**415,496**	671,695
BUCG	**155,067**	232,169
Joint ventures	**119,445**	198,157
Fellow subsidiaries	**43,755**	34,842
An associate of BUCG	**2,289**	1,449
Associates	**454**	550
	736,506	1,138,862

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 RMB224,882,000 of 31 December 2021 (31 December 2020: RMB101,883,000) which were pledged to secure certain of the Group's bank loans amounting to RMB5,302,309,000 (31 December 2020: RMB4,611,766,000) (note 29).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Deductible value-added tax		**437,553**	370,597
Prepayments		**382,391**	268,005
Deposits and other receivables		**427,053**	214,702
		1,246,997	853,304
Impairment		**(35,377)**	(24,905)
		1,211,620	828,399
Portion classified as non-current assets	*(i)*	**(306,635)**	(271,604)
Current portion		**904,985**	556,795

Note:

(i) The non-current portion of deposits and other receivables mainly represents deductible valued-added tax at 31 December 2021 and 2020.

The movements in provision for impairment of deposits and other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**24,905**	24,150
Impairment losses recognised	**17,777**	7,834
Impairment losses reversed	**(6,122)**	(7,079)
Impairment losses included in the discontinued operation	**(1,183)**	–
At end of the year	**35,377**	24,905

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

As at 31 December 2021 and 2020, 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 2021 and 2020 were as follows:

	31 December 2021	31 December 2020
Expected credit loss rate	**8.28%**	11.60%
Gross carrying amount (RMB'000)	**427,053**	214,702
Expected credit losses (RMB'000)	**35,377**	24,905

The amounts due from joint ventures, fellow subsidiaries, BUCG and other related parties included in the prepayments, other receivables and other assets are as follows:

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Joint ventures	*(i)*	**211,554**	119
Fellow subsidiaries		**34,371**	30,880
BUCG		**2,064**	2,154
Beneficial Shareholders and their affiliates		**1,269**	2,218
An associate		**299**	–
Associates of BUCG		**–**	264
		249,557	35,635

Note:

(i) Included in the balance was a loan to a joint venture of the Group, Beijing Shengtong Real Estate Development Co., Ltd., amounting to RMB204 million as at 31 December 2021 (2020: Nil), which was unsecured, interest bearing at 4.785% per annum and repayable in one year.

Except for the above, prepayments, other receivables and other assets are unsecured, non interest-bearing and have no fixed terms of settlement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash and bank balances		**4,025,154**	3,472,931
Time deposits		**243**	100,243
		4,025,397	3,573,174
Less: Pledged bank balances for bidding guarantees and performance guarantees		**(41,217)**	(39,181)
Cash and bank balances in the consolidated statement of financial position		**3,984,180**	3,533,993
Non-pledged time deposits with original maturity of more than three months when acquired		**(243)**	(243)
Cash and short term deposits attributable to the discontinued operation	*10*	**102,327**	–
Cash and cash equivalents in the consolidated statement of cash flows		**4,086,264**	3,533,750
Cash and bank balances and time deposits denominated in:			
– RMB		**3,793,630**	3,335,768
– Other currencies		**231,767**	237,406
		4,025,397	3,573,174

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 short term time deposit 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.

27. TRADE AND BILLS PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables	**4,393,096**	4,377,140
Bills payable	**50,000**	135,107
	4,443,096	4,512,247

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 6 months	**1,706,225**	1,974,807
6 months to 1 year	**902,402**	741,565
1 to 2 years	**710,578**	769,076
2 to 3 years	**340,204**	595,326
Over 3 years	**783,687**	431,473
	4,443,096	4,512,247

Trade payables are non-interest-bearing and are normally settled within six to nine months.

The amounts due to associates of BUCG, the Beneficial Shareholders and their affiliates, fellow subsidiaries and other related parties included in the trade and bills payables are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Associates of BUCG	**129,232**	242,693
Beneficial Shareholders and their affiliates	**67,981**	33,719
Fellow subsidiaries	**35,571**	62,456
BUCG	**11,833**	3,153
Joint ventures	**9,592**	4,210
An associate	**–**	814
	254,209	347,045

28. OTHER PAYABLES AND ACCRUALS

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities	*(i)*	**3,358,899**	3,350,536
Accrued salaries, wages and benefits		**475,783**	478,343
Other taxes payable		**852,341**	825,735
Retention payables		**199,921**	241,864
Dividend payables		**–**	8,117
Deferred revenue		**17,661**	23,384
Other payables		**172,633**	138,412
		5,077,238	5,066,391
Portion classified as non-current liabilities	*(ii)*	**(406,529)**	(366,839)
Current portion		**4,670,709**	4,699,552

Notes:

(i) Contract liabilities include short-term advances received from customers and amounts due to contract customers. The change in contract liabilities in 2021 and 2020 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 2021 RMB'000	31 December 2020 RMB'000
Short-term advances received from customers:		
Design, survey and consultancy services	**504,965**	525,600
Construction services	**258,491**	292,074
	763,456	817,674
Amounts due to contract customers:		
Design, survey and consultancy services	**2,045,668**	1,835,162
Construction services	**549,775**	697,700
	2,595,443	2,532,862
Total contract liabilities	**3,358,899**	3,350,536

(ii) The non-current portion mainly represented output value-added tax and government grants at 31 December 2021 and 2020.

28. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to the Beneficial Shareholders and their affiliates, fellow subsidiaries, associates of BUCG and other related parties included in other payables and accruals are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Beneficial Shareholders and their affiliates	**387,866**	472,538
Fellow subsidiaries	**102,547**	121,676
Associates of BUCG	**65,007**	80,836
A joint venture	**60,347**	345,921
BUCG	**59,686**	43,752
A non-controlling shareholder	**10,140**	10,310
Associates	**2,754**	4,278
	688,347	1,079,311

The other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of settlement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
Non-current						
Long term bank loans:						
– Secured *(i)*	4.42%-5.11%	2023-2045	3,748,000	4.42%-4.90%	2022-2042	4,367,423
Long term other borrowings:						
– Unsecured	3.53%-4.90%	2023-2026	859,741	3.98%-4.90%	2022-2026	458,000
Lease liabilities:						
– Secured *(note 15(b))*	4.75%-4.90%	2023-2041	210,835	4.75%-4.90%	2022-2035	146,393
			4,818,576			4,971,816
Current						
Current portion of long term bank loans:						
– Secured *(i)*	4.42%-5.11%	2022	1,554,309	4.42%-4.90%	2021	244,343
Short term bank loans:						
– Unsecured	3.915%-4.235%	2022	99,388	3.915%-5.22%	2021	110,689
Current portion of lease liabilities:						
– Secured *(note 15(b))*	4.75%-4.90%	2022	104,916	4.75%-4.90%	2021	83,521
Current portion of long term other borrowings:						
– Unsecured	2.95%-3.98%	2022	605,132	4.90%	2021	120,000
			2,363,745			558,553
			7,182,321			5,530,369
Denominated in:						
– RMB			7,182,321			5,530,369

(i) The bank loans of RMB5,302,309,000 (31 December 2020: RMB4,611,766,000) were secured by the right of future contract assets and financial receivables, trade receivables and intangible assets for certain service concession arrangements.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2021 and 2020 is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,653,697**	355,032
In the second year	**226,500**	233,000
In the third to fifth years, inclusive	**1,547,000**	1,197,000
Over five years	**1,974,500**	2,937,423
	5,401,697	4,722,455
Other borrowings repayable:		
Within one year	**605,132**	120,000
In the second year	**120,000**	100,000
In the third to fifth years, inclusive	**739,741**	220,000
Over five years	**–**	138,000
	1,464,873	578,000
Lease liabilities repayable:		
Within one year	**104,916**	83,521
In the second year	**74,967**	52,284
In the third to fifth years, inclusive	**98,608**	82,294
Over five years	**37,260**	11,815
	315,751	229,914
	7,182,321	5,530,369

The interest-bearing borrowings from a non-controlling shareholder included in the above are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
A non-controlling shareholder	**258,000**	378,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

30. 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 2021 and 2020 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韬睿惠悦諮詢公司), 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 2021 RMB'000	31 December 2020 RMB'000
At end of the year	**69,324**	67,075
Portion classified as current liabilities	**(3,259)**	(3,600)
Non-current portion	**66,065**	63,475

(b) The movements of the provisions for supplementary retirement benefits are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**67,075**	70,805
Interest costs on benefit obligations	**2,290**	2,410
Current service costs	**1,520**	1,450
Past service costs	**139**	–
Benefits paid during the year	**(3,940)**	(3,220)
Remeasurement losses/(gains) recognised in other comprehensive income	**2,240**	(4,370)
At end of the year	**69,324**	67,075

30. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(b) The movements of the provisions for supplementary retirement benefits (continued)

The details of remeasurement losses/(gains) recognised in other comprehensive income of the Group during the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Actuarial changes arising from changes in financial assumptions	**(2,630)**	–
Liability experience adjustments	**4,870**	(4,370)
Re-measurement losses/(gains) recognised in other comprehensive income	**2,240**	(4,370)

(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	
	2021	2020
	RMB'000	RMB'000
Interest costs on benefit obligations	**2,290**	2,410
Current service costs	**1,520**	1,450
Past service costs	**139**	–
	3,949	3,860

30. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Discount rates	**3.25%**	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	**6.00%**	8.00%
– Withdrawal rate for actives	**3.00%**	3.00%

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Average life expectancy	**44.1 years**	44.7 years

30. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at 31 December 2021 and 2020 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 2021				
Discount rate	**0.25**	**(2,290)**	**(0.25)**	**2,430**
Future medical expense	**0.25**	**550**	**(0.25)**	**(530)**
As at 31 December 2020				
Discount rate	0.25	(2,230)	(0.25)	2,360
Future medical expense	0.25	640	(0.25)	(610)

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 2021 and 2020.

31. 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.

31. PROVISION (CONTINUED)

As at 31 December 2021 and 2020, 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.

	Year ended 31 December 2021		
	Provision for warranty RMB'000	**Provision for foreseeable losses on contracts RMB'000**	**Total RMB'000**
At beginning of the year	**60,359**	**10,202**	**70,561**
Additional provision	**17,245**	**4,136**	**21,381**
Reversals of unutilised amounts	**(43,612)**	**–**	**(43,612)**
Amounts utilised during the year	**–**	**(4,741)**	**(4,741)**
At end of the year	**33,992**	**9,597**	**43,589**
Portion classified as current liabilities	**–**	**(7,381)**	**(7,381)**
Non-current portion	**33,992**	**2,216**	**36,208**

	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

32. SHARE CAPITAL

Shares

	31 December 2021 '000	31 December 2020 '000
Registered, issued and fully paid:		
1,348,670,000 (2020: 1,348,670,000) ordinary shares	**1,348,670**	1,348,670

33. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity.

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 RMB288,945,000 (2020: RMB100,363,000) and RMB288,945,000 (2020: RMB100,363,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	Note	Bank loans and other borrowings RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2021		5,300,455	229,914	8,117	–
Changes from financing cash flows		1,632,959	(115,251)	(228,263)	(260,546)
New leases		–	288,945	–	–
Cancellation of leases		–	(60,487)	–	–
Interest expense		–	15,741	–	288,836
Transfer to liabilities directly associated with the assets classified as held for sale	*10*	(95,134)	(43,111)	–	–
Final 2020 dividend declared		–	–	211,471	–
Dividend declared to non-controlling shareholders		–	–	8,675	–
Effect of exchange rate changes		–	–	–	–
Reclassification		28,290	–	–	(28,290)
At 31 December 2021		6,866,570	315,751	–	–

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	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	–

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating activities	**(361,163)**	(168,891)
Within financing activities	**(115,251)**	(109,285)
	(476,414)	(278,176)

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 16, note 23, note 24, note 26 and note 29 to the financial statements.

36. COMMITMENTS

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for:		
Equity investments	**2,836,570**	2,617,582
Property, plant and equipment	**7,310**	13,362
	2,843,880	2,630,944

37. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2021 and 2020:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	**486,389**	438,358
BUCG	**92,490**	98,283
Fellow subsidiaries	**12,654**	19,821
Associates of BUCG	**4,368**	2,816
Joint ventures	**2,746**	9,682
A joint venture of BUCG	**1,875**	–
Associates	**250**	5,089
	600,772	574,049
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	**1,505,491**	1,194,800
A joint venture	**310,059**	1,995,312
BUCG	**111,334**	94,983
Fellow subsidiaries	**92,149**	144,193
Associates of BUCG	**–**	352
An associate	**–**	184
	2,019,033	3,429,824

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2021 and 2020: (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Construction contracting services provided by:		
Fellow subsidiaries	**333,669**	407,428
Associates of BUCG	**76,261**	510,154
Beneficial Shareholders and their affiliates	**34,479**	39,996
BUCG	**8,680**	–
An Associate	**154**	–
	453,243	957,578
Design, survey and consultancy services provided by:		
A Joint venture	**36,829**	30,825
Associates	**12,506**	15,012
Beneficial Shareholders and their affiliates	**3,795**	3,560
Fellow subsidiaries	**3,703**	3,481
Associates of BUCG	**1,249**	15,160
	58,082	68,038

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2021 and 2020: (continued)

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	**12,404**	12,539
BUCG	**5,526**	4,263
A beneficial shareholder	**2,420**	–
	20,350	16,802
Rental income from:		
A fellow subsidiary	**2,358**	4,723
Construction in progress provided by:		
Fellow subsidiaries	**–**	2,648
Finance costs paid or payable to:		
A non-controlling shareholder	**15,638**	18,522
Loans provided to:		
A joint venture	**204,000**	–
Interest income received or receivable from:		
A joint venture	**7,196**	–

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2021 and 2020: (continued)

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 year ended 31 December 2021 and 2020, the Group entered into extensive transactions with SOEs other than those transactions disclosed elsewhere in these financial statements, such as bank deposits, 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 of the Company, such transactions 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.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2021 and 2020: (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:

		Employee stock ownership scheme Number of Shares	
		2021	2020
	Notes	**RMB'000**	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
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
Mr. Xia Xiujiang (夏秀江)	*(ii)*	**620**	–
Mr. Xu Chengyong (徐成永)	*(iii)*	**660**	–
		8,160	7,630

Notes:

(i) Mr. Wan Xuehong retired from the Company in January 2020.

(ii) Mr. Xia Xiujiang was appointed as a key management of the Company in March 2021.

(iii) Mr. Xu Chengyong was appointed as a key management of the Company in March 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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	
	2021	2020
	RMB'000	RMB'000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	**484,201**	414,000
BUCG	**92,490**	98,283
Fellow subsidiaries	**12,654**	19,821
Associates of BUCG	**2,351**	795
A joint venture of BUCG	**1,875**	–
	593,571	532,899
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	**1,453,461**	1,194,800
BUCG	**111,334**	94,983
Fellow subsidiaries	**92,149**	144,193
	1,656,944	1,433,976
Construction contracting services provided by:		
Fellow subsidiaries	**333,669**	407,428
Beneficial Shareholder and its affiliates	**34,244**	39,996
BUCG	**8,680**	–
An associate of BUCG	**–**	1,067
	376,593	448,491
Design, survey and consultancy services provided by:		
Beneficial Shareholders and their affiliates	**3,795**	3,560
Fellow subsidiaries	**3,703**	3,481
	7,498	7,041
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	**12,404**	12,539
BUCG	**5,526**	4,263
A beneficial shareholder	**2,420**	–
	20,350	16,802

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 23, 24, 25, 27, 28 and 29 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	
	2021	2020
	RMB'000	RMB'000
Short term employee benefits	**10,854**	8,789
Pension scheme	**957**	664
	11,811	9,453

(e) Commitments with related parties

As at 31 December 2021, 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 building of certain subways and the backlog as at 31 December 2021 amounting to RMB4,342 million (31 December 2020: RMB4,111 million).

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 2021 amounting to RMB1,343 million (31 December 2020: RMB1,643 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 2021 amounting to RMB227 million (31 December 2020: RMB487 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 2021 amounting to RMB9 million (31 December 2020: RMB8 million).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

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 2021 RMB'000
Financial assets	
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	**427,602**
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	**17,521**
Financial assets at amortised cost:	
Trade and bills receivables	**3,999,167**
Financial assets included in prepayments, other receivables and other assets	**391,676**
Pledged deposits	**41,217**
Cash and bank balances	**3,984,180**
	8,861,363
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	**7,182,321**
Trade and bills payables	**4,443,096**
Financial liabilities included in other payables and accruals	**372,554**
	11,997,971

	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 assets included in prepayments, other receivables and other assets	189,797
Pledged deposits	39,181
Cash and bank balances	3,533,993
	8,298,109
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

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 31 December		Fair value 31 December	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**427,602**	274,000	**427,602**	274,000
Equity investments designated at fair value through other comprehensive income	**17,521**	15,701	**17,521**	15,701
Financial assets included in prepayments, other receivables and other assets, non-current portion	**22,689**	22,417	**22,451**	21,528
	467,812	312,118	**467,574**	311,229
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	**4,607,741**	4,825,423	**4,474,596**	4,645,128
Financial liabilities included in other payables and accruals, non-current portion	**7,576**	6,892	**7,574**	6,734
	4,615,317	4,832,315	**4,482,170**	4,651,862

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.

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 2021 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 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss:				
Unlisted equity investments	**–**	**–**	**427,602**	**427,602**
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	**–**	**–**	**17,521**	**17,521**
	–	**–**	**445,123**	**445,123**

31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total 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

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

Assets for which fair values are disclosed:

31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets included in prepayments, other receivables and other assets, non-current portion	**–**	**22,451**	**–**	**22,451**
	–	**22,451**	**–**	**22,451**

31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	21,528	–	21,528
	–	21,528	–	21,528

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

Liabilities for which fair values are disclosed:

31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	**–**	**4,474,596**	**–**	**4,474,596**
Financial liabilities included in other payables and accruals, non-current portion	**–**	**7,574**	**–**	**7,574**
	–	**4,482,170**	**–**	**4,482,170**

31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total 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

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 analyses 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 analyses 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 points	Increase/(decrease) in profit before tax	
		2021	2020
		RMB'000	RMB'000
Market interest rates	1%	**(41,893)**	(40,707)
Market interest rates	(1%)	**41,893**	40,707

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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, which 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.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 99% of the financial assets and liabilities in 2020 and 2021 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 26 to the financial statements.

The following table demonstrates the sensitivity sat 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**	
		2021	2020
		RMB'000	RMB'000
If RMB weakens against the United States dollar	5%	**13,752**	14,109
If RMB strengthens against the United States dollar	(5%)	**(13,752)**	(14,109)
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.

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 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets and financial receivables	–	–	–	9,358,528	9,358,528
Trade and bills receivables*	–	–	–	5,014,392	5,014,392
Financial assets included in prepayments, other receivables and other assets					
– Normal**	404,910	12,157	9,986	–	427,053
Pledged deposits					
– Not yet past due	41,217	–	–	–	41,217
Cash and bank balances					
– Not yet past due	3,984,180	–	–	–	3,984,180
	4,430,307	12,157	9,986	14,372,920	18,825,370

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets and financial receivables	–	–	–	8,475,687	8,475,687
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
Pledged deposits					
– Not yet past due	39,181	–	–	–	39,181
Cash and bank balances					
– Not yet past due	3,533,993	–	–	–	3,533,993
	3,760,651	17,239	9,986	13,487,149	17,275,025

* 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 24 and 23 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 2021, the financial assets classified to stage 3 of lifetime ECLs are other receivables with a gross carrying amount of approximately RMB9,986,000 (2020: RMB9,986,000). As they are fully impaired, the net carrying amount is nil.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

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.

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 2021			
Interest-bearing bank and other borrowings	**2,363,745**	**4,818,576**	**7,182,321**
Interest payments on bank and other borrowings	**294,054**	**1,788,639**	**2,082,693**
Trade and bills payables	**4,443,096**	**–**	**4,443,096**
Financial liabilities included in other payables and accruals	**365,154**	**8,311**	**373,465**
	7,466,049	**6,615,526**	**14,081,575**
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

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 2021 and 2020.

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 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing bank and other borrowings	**7,182,321**	5,530,369
Trade and bills payables	**4,443,096**	4,512,247
Financial liabilities included in other payables and accruals	**372,554**	388,393
Cash and bank balances	**(3,984,180)**	(3,533,993)
Pledged deposits	**(41,217)**	(39,181)
Net debt	**7,972,574**	6,857,835
Total equity	**6,352,161**	5,748,073
Capital and net debt	**14,324,735**	12,605,908
Gearing ratio	**56%**	54%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

41. EVENTS AFTER THE REPORTING PERIOD

(a) As disclosed in note 11 to the financial statements, the directors proposed on 25 March 2022 a final dividend of RMB0.1679 per share in respect of the year ended 31 December 2021. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(b) The capital increase agreement of BUCZT was formally approved by the shareholders' meeting of BUCZT held on 4 January 2022. Through the capital increase, the shareholding of the Company in BUCZT reduced from 60% to approximately 30.83% upon the completion of the capital increase. BUCZT ceased to be a subsidiary of the Company and became an associate of the Company thereafter.

42. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 10).

43. 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 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**543,812**	551,645
Right-of-use assets	**425,934**	326,269
Intangible assets	**3,626**	3,324
Investments in subsidiaries	**2,096,945**	1,980,322
Investments in joint ventures	**1,566,552**	1,556,552
Investments in associates	**169,541**	49,755
Equity investments designated at fair value through other comprehensive income	**10,511**	4,501
Deferred tax assets	**136,085**	109,456
Prepayments, other receivables and other assets	**17,392**	14,878
Total non-current assets	**4,970,398**	4,596,702

43. 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 2021 RMB'000	31 December 2020 RMB'000
CURRENT ASSETS		
Inventories	**37,280**	36,273
Trade and bills receivables	**2,438,641**	2,350,340
Prepayments, other receivables and other assets	**1,023,996**	719,880
Contract assets	**1,911,119**	1,823,573
Pledged deposits	**14,236**	6,236
Cash and bank balances	**2,567,446**	2,305,702
Assets of a disposal group classified as held for sale	**18,000**	–
Total current assets	**8,010,718**	7,242,004
CURRENT LIABILITIES		
Trade payables	**2,934,926**	2,953,457
Other payables and accruals	**3,518,448**	3,807,589
Interest-bearing bank and other borrowings	**568,173**	43,994
Provisions for supplementary retirement benefits	**2,519**	2,920
Tax payable	**33,096**	29,372
Provision	**7,111**	4,291
Total current liabilities	**7,064,273**	6,841,623
NET CURRENT ASSETS	**946,445**	400,381
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,916,843**	4,997,083
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**–**	1,635
Interest-bearing bank and other borrowings	**647,961**	56,774
Provisions for supplementary retirement benefits	**49,794**	48,214
Other payables and accruals	**14,947**	18,770
Provision	**–**	4,500
Total non-current liabilities	**712,702**	129,893
Net assets	**5,204,141**	4,867,190
EQUITY		
Share capital	**1,348,670**	1,348,670
Reserves *(note)*	**3,855,471**	3,518,520
Total equity	**5,204,141**	4,867,190

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

43. 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 1January 2020	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	–
As at 31 December 2020	731,526	384,319	–	2,402,675	3,518,520
Profit for the year	**–**	**–**	**–**	**550,312**	**550,312**
Other comprehensive income	**(1,890)**	**–**	**–**	**–**	**(1,890)**
Total comprehensive income for the year	**(1,890)**	**–**	**–**	**550,312**	**548,422**
Final 2020 dividend declared	**–**	**–**	**–**	**(211,471)**	**(211,471)**
Appropriation to statutory surplus reserve	**–**	**77,236**	**–**	**(77,236)**	**–**
Transfer to special reserve	**–**	**–**	**43,798**	**(43,798)**	**–**
Utilisation of special reserve	**–**	**–**	**(43,798)**	**43,798**	**–**
At 31 December 2021	**729,636**	**461,555**	**–**	**2,664,280**	**3,855,471**

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2022.