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

「DESIGN THE CITY · BUILD THE FUTURE」

2022
Annual Report

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 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
"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
"MOF"	the Ministry of Finance of the PRC
"NDRC"	the National Development and Reform Commission of the PRC
"PRC" or "China"	the People's Republic of China
"Reporting Period" or "the Year"	for the year ended 31 December 2022
"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
"Share(s)"	ordinary share(s) of the Company, including H Share(s) and Domestic Share(s)
"Supervisor(s)"	supervisor(s) of the Company
"%"	percent

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

COMPANY SECRETARY:

Mr. Xuan Wenchang

WEBSITE:

www.bjucd.com

AUDITOR:

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

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 2022, the Group achieved revenue of RMB10,600 million, while the net profit for the Reporting Period amounted to RMB911 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			
	2022 RMB'000	**Percentage of operating revenue (%)**	2021* RMB'000	Percentage of operating revenue (%)
Design, survey and consultancy	**4,426,391**	**41.76**	4,399,032	42.88
Construction contracting	**6,173,454**	**58.24**	5,859,547	57.12
Total	**10,599,845**	**100.00**	10,258,579	100.00

For the year ended 31 December 2022, the Group's revenue amounted to RMB10,600 million, representing an increase of RMB341 million or 3.32% compared to the same period of last year.

The financial information for the years of 2018, 2019, 2020, 2021 and 2022 prepared by the Group in accordance with the International Financial Reporting Standards was summarized as follows:

	As at 31 December/For the year ended 31 December				
	2022 RMB'000	2021* RMB'000	2020* RMB'000	2019* RMB'000	2018* RMB'000
Total assets	**23,944,194**	24,665,602	21,342,375	20,801,501	16,695,871
Total liabilities	**16,946,746**	18,250,489	15,543,537	15,668,594	12,081,492
Non-controlling interests	**199,911**	266,682	297,963	264,601	265,354
Interests of the owners (excluding non-controlling interests)	**6,797,537**	6,148,431	5,500,875	4,868,306	4,349,025
Revenue	**10,599,845**	10,258,579	10,353,962	8,782,263	7,555,930
Gross Profit	**1,840,441**	1,873,987	1,980,072	1,764,109	1,517,369
Profit before tax	**1,027,882**	993,806	1,011,123	786,209	710,260
Profit attributable to owners of the parent	**972,251**	920,641	883,078	672,979	584,583

* As a result of business combination under common control of Beijing Institute of Residential Building Design & Research Co., Ltd. ("**Residential Institute**") and all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC ("**Asset Group Portfolio**") in 2022, the financial results of the Residential Institute and the Asset Group Portfolio were included in the Group's consolidated financial statements in the design, survey and consultancy segment and the construction contracting segment, thus the figures for the corresponding period of previous years were adjusted simultaneously.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of the Group, I am pleased to present the annual results for 2022.

2022 was an extremely important year in Chinese history. Insisting on seeking progress while maintaining stability, grasping opportunities amidst challenges and opening up innovations among changes, Beijing Urban Construction Design & Development Group gave full play to the synergistic and comprehensive advantages of the whole industrial chain of rail transit, which drove all business segments to advance neck and neck, continuously extended and improved the industrial chain, maintained the overall stability and further enhanced the industrial influence. As of 31 December 2022, the annual revenue was RMB10,600 million, with a net profit of RMB911 million. The Group completed its main economic indicators, faithfully fulfilled social responsibilities and further displayed the resilience and toughness of the coordinated development of the whole industry chain.

2023 is the beginning year of the "14th Five-Year Plan". Adhering to the principle of seeking progress while maintaining stability, and accurately grasping the overall situation with confidence in development, Beijing Urban Construction Design & Development Group will further promote integrated development, set goals and tasks, focus on key tasks, pay attention to both challenges and opportunities, explore advantages and potential, 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" with new development speed and new height. 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, 24 March 2023

GENERAL MANAGER'S STATEMENT

The year of 2022, which has just passed, has been an extremely extraordinary year. In the face of many challenges, the Company firmly grasped the main development opportunities, and all the employees made concerted efforts to write a new chapter of development despite great difficulties.

Looking back on 2022, we forged ahead towards the objectives, and made outstanding achievements. During the year, shouldering the development responsibilities, we continued to expand the survey and design consulting business, strengthen overall engineering contracting business, actively expand new business, and realized the expected objectives of all the economic indicators. We powerfully released the comprehensive advantages of the entire industrial chain of rail transit, and obtained the overall design contracting projects for 9 lines with the highest number of bids and a more solid position in the rail transit design industry. The survey business continued to take the lead in the rail transit field, the types of civil construction and municipal design business were continuously enriched, high-end consultation was solidly developed, the mode of entrusted construction was expanded, and the professional fields were further refined and strengthened. The Group took on a new look of high-quality development with the key projects including the PPP Project of Chongqing Bishan-Tongliang Line successfully promoted and Kunming Metro Line 4 stably operated.

Looking back on 2022, we achieved important progress in overall layout, transformation and upgrading, and what we invested in the past will contribute to our future development. During the year, we had greater innovative capability. We won the National "14th Five-Year Plan" key R&D Project, successfully won the title of the science and technology innovation base of China Association for Science and Technology, established the "Joint Research Center for Urban Disaster Prevention and Safety" jointly with Tsinghua University, initiated the construction of the enterprise innovation base, and accumulated new momentum for innovative development. We accelerated the resource integration effects, successively integrated the rail construction business of Residential Institute and BUCC, carried out the regional reform of the rail transit design, and sped up the release of enterprise productivity. More importantly, the Company promoted transformation and upgrading at a full speed, contributing to the leapfrog development.

Looking back on 2022, we fulfilled our responsibilities, served the development of the city, and continuously improved our corporate brand image. Adhering to the corporate mission of "Design the City, Build the Future", we have brought into play the advantages of industry technology and talents, and sped up the development of urban rail transit. By the end of 2022, we had undertaken the overall design of 197 metro lines, helping dozens of cities realize their rail dreams. We successfully hosted the 3rd China Urban Rail Transit Innovation and Entrepreneurship Competition, inviting 10 academicians of the Chinese Academy of Engineering to be the jury. We have actively assumed the responsibility of the industry and served 124 industry organizations, contributing to high-quality industrial development. In 2022, the Company was successfully selected as one of the first sci-tech service brand organizations of Beijing City.

2023 is a critical year for the comprehensive implementation of the upgrading and development objectives of the Company and a promising year for the Company's development. All the employees will redouble their efforts and struggle for the high-quality development and a better future of the Company!

Wang Hanjun
General Manager

Beijing, 24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2022, facing many challenges such as market competition and the impact of the pandemic, the Group adhered to the general keynote of "making progress while maintaining stability", stuck to scaling up survey and design consultancy, enhancing EPC business, and actively fostering and developing new businesses. Moreover, the Group strived to seize opportunities in the midst of challenges, integrate industry chain resources, go against the trend of development in design, make continuous efforts in survey, achieve fruitful results in civil engineering and planning business, and achieve quality improvement in stability.

For the year ended 31 December 2022, the Group's revenue amounted to RMB10,600 million, representing an increase of RMB341 million or 3.32% compared to RMB10,259 million for last year. The Group's net profit amounted to RMB911 million, representing an increase of RMB8 million or 0.89% compared to the net profit of RMB903 million for last year.

Summary of Operating Results

	Year ended 31 December	
	2022	2021*
	(RMB'000)	(RMB'000)
	(Audited)	(Audited)
Revenue	**10,599,845**	10,258,579
Cost of sales	**(8,759,404)**	(8,384,592)
Gross profit	**1,840,441**	1,873,987
Other income and gains	**836,060**	499,815
Selling and distribution expenses	**(77,576)**	(75,560)
Administrative expenses	**(878,272)**	(855,063)
Impairment losses on financial assets and contract assets, net	**(242,789)**	(372,387)
Loss on derecognition of financial assets measured at amortized cost	**(347,118)**	–
Other expenses	**–**	(16,605)
Finance costs	**(320,405)**	(283,609)
Share of profits of joint ventures	**189,992**	225,449
Share of profits/(losses) of associates	**27,549**	(2,221)
Profit before tax from continuing operations	**1,027,882**	993,806
Income tax expense	**(117,114)**	(139,891)
Profit for the year from the discontinued operations	**–**	49,132
Profit for the year	**910,768**	903,047

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 2022, the Group achieved a revenue of RMB10,600 million, representing an increase of RMB341 million or 3.32% compared to RMB10,259 million for last year. The primary reason of such increase was due to the fact that the Company adhered to design leadership and investment pulling, continuously 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 with the completion of major projects including Winter Olympics branch lines on schedule, driving the Company's revenue to grow steadily.

An analysis of revenue by segment is as follows:

	Year ended 31 December	
Products by industry	**2022 (RMB'000) (Audited)**	2021* (RMB'000) (Audited)
Design, survey and consultancy	**4,426,391**	4,399,032
Construction contracting	**6,173,454**	5,859,547
Total	**10,599,845**	10,258,579

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 2022, the Group further developed its rail transit business by undertaking the first post-construction assessment project for rail transit development in China (assessment for rail transit development and construction in Hangzhou) and the first green urban rail consultation project in China (consultation for action plan on green urban rail development of Nanjing metros), and continued to develop preliminary projects, including undertaking construction planning for five cities, namely Kunming, Chongqing, Chengdu, Nanjing and Jinhua, winning bids for feasibility studies on projects in Hangzhou, Nanning and Shenzhen, and obtaining several low-cargo network planning tasks in Xi'an, Zhengzhou, Lhasa, etc., all of which have created a first-mover advantage for subsequent market expansion of the Group. In 2022, the Company won the bids for 9 overall design projects in Beijing, Shijiazhuang and Chongqing and ranked first in the industry in terms of bids number, thereby continuing to consolidate its position in the rail transit design industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the year ended 31 December 2022, revenue of the design, survey and consultancy segment of the Group amounted to RMB4,426 million, representing an increase of RMB27 million or 0.61% compared to RMB4,399 million for the corresponding period in 2021. In 2022, the Company overcame difficulties to keep projects moving smoothly and achieved a stable increase in revenue. Among them, the revenue of the urban rail transit construction segment amounted to RMB3,215 million, flating with RMB3,215 million for the corresponding period of last year; the revenue of the industrial and civil construction and municipal engineering segment amounted to RMB1,211 million, representing an increase of RMB27 million or 2.28% compared to RMB1,184 million for the corresponding period of last year.

Construction Contracting Business Segment

For the construction contracting business segment, in 2022, the Group won the bids for various construction projects including Beijing Line 3, Line 6 South Extension and Line 13 Split, won additional contracts for projects including Beijing New Airport Line and Guangzhou Line 10, expanded the construction general contracting business for section and metro flood control and drainage of Beijing existing lines. Our construction contracting projects were dotted in cities such as Beijing, Hebei, Guangzhou, Chongqing, Zhuzhou, Urumqi, Jinan and Wuhan.

For the year ended 31 December 2022, the Group's revenue from the construction contracting business segment was RMB6,174 million, representing an increase of RMB314 million or 5.36% compared to RMB5,860 million for the corresponding period of last year, mainly due to the increase in project construction works.

Cost of Sales

For the year ended 31 December 2022, the cost of sales incurred by the Group was RMB8,759 million, representing an increase of RMB374 million or 4.46% compared to RMB8,385 million for the corresponding period of last year. The increase is basically in line with the revenue.

For the year ended 31 December 2022, cost of sales of the Group's design, survey and consultancy segment increased to RMB3,146 million for the year from RMB3,097 million for the corresponding period of last year, representing an increase of 1.58%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB2,210 million for the year from RMB2,200 million for the corresponding period of last year, representing an increase of 0.45%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment increased to RMB936 million for the year from RMB897 million for the corresponding period of last year, representing an increase of 4.35%.

For the year ended 31 December 2022, the cost of sales of the Group's construction contracting segment increased to RMB5,613 million for the year from RMB5,288 million for the corresponding period of last year, representing an increase of 6.15%, higher than the increase of 5.34% in revenue, mainly due to the increase in project construction works of traditional rail transit construction projects.

Gross Profit and Gross Margin

For the year ended 31 December 2022, the gross profit of the Group was RMB1,841 million, representing a decrease of RMB33 million or 1.76% compared to RMB1,874 million for the corresponding period of last year, while the consolidated gross margin was 17.37%, representing a decrease from 18.27% of the corresponding period of last year, which was mainly due to the increase in costs as a result of difficulties overcame by the Group to ensure the fulfillment of projects in 2022. The gross profit of design, survey and consultancy segment decreased to RMB1,280 million for the period from RMB1,302 million for the corresponding period of last year, representing a decrease of RMB22 million or 1.69%, and the gross margin was 28.92%, representing a slight decrease as compared to 29.60% for the corresponding period of last year, which was mainly due to the increase in proportion of revenue from non-rail transit survey, design and consultancy business. The gross profit of construction contracting segment decreased to RMB561 million for the period from RMB572 million for the corresponding period of last year, representing a decrease of RMB11 million or 1.92%, and the gross margin decreased to 9.09% for the period from 9.76% for the corresponding period of last year.

Other Income and Gains

For the year ended 31 December 2022, other income and gains of the Group were RMB836.06 million, representing an increase of RMB336.24 million or 67.27% compared to RMB499.82 million for the corresponding period of last year, which was mainly attributable to the gain on disposal of Beijing Urban Construction Zhikong Technology Co., Ltd. and gain on derecognition of financial liabilities measured at amortised cost.

Selling and Distribution Expenses

For the year ended 31 December 2022, selling and distribution expenses of the Group were RMB77.58 million, representing an increase of RMB2.02 million or 2.67% compared to RMB75.56 million for the corresponding period of last year, which was mainly due to the increase in corresponding expenses as a result of the increased market expansion by actively expanding the business of suburban railroads, urban express lines, intercity railroads and the renovation of existing lines.

Administrative Expenses

For the year ended 31 December 2022, administrative expenses of the Group were RMB878.27 million, representing an increase of RMB23.21 million or 2.71% compared to RMB855.06 million for the corresponding period of last year, which was mainly due to the increase in expenses as a result of increased investment in research and development by the Company.

Impairment Losses on Financial Assets and Contract Assets, Net

For the year ended 31 December 2022, the impairment losses on financial assets and contract assets of the Group amounted to RMB242.79 million, representing a decrease of RMB129.60 million or 34.80% as compared to RMB372.39 million for the corresponding period of last year, which was mainly due to the decrease in impairment losses on trade receivables.

Other Expenses

For the year ended 31 December 2022, no other expenses of the Group were recorded, representing a decrease of RMB16.61 million compared to RMB16.61 million for the corresponding period of last year, which was mainly attributable to the exchange gains in 2022 as compared to the exchange losses resulting from the volatility of foreign exchange rates in 2021.

Finance Costs

For the year ended 31 December 2022, finance costs of the Group were RMB320.41 million, representing an increase of RMB36.80 million or 12.98% compared to RMB283.61 million for the corresponding period of last year, which was mainly attributable to the increase in interest expenses resulting from the increased average interest-bearing borrowings balance of the Group.

Income Tax Expense

For the year ended 31 December 2022, the income tax expense of the Group was RMB117.11 million, representing a decrease of RMB22.78 million or 16.28% as compared to RMB139.89 million for the corresponding period of last year, which was mainly attributable to the increase of profit from subsidiaries entitled to a preferential income tax rate.

Profit for the Year

For the year ended 31 December 2022, the profit of the Group for the year was RMB911 million, representing an increase of RMB8 million or 0.89% compared to RMB903 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	
	2022 (RMB'000) (Audited)	2021* (RMB'000) (Audited)
Net cash inflows from operating activities	**1,149,443**	383,738
Net cash outflows from investing activities	**(323,426)**	(703,872)
Net cash (outflows)/inflows from financing activities	**(853,369)**	1,017,715
Net (decrease)/increase in cash and cash equivalents	**(27,352)**	697,581

The net cash inflows from operating activities in 2022 were RMB1,149 million, which was mainly attributable to the fact that the Company focused on cash flow management by strengthening operating receipts and collection of receivables. The net cash outflows from investing activities were RMB323 million, which was mainly attributable to the increased investment of RMB239 million to joint ventures and associates, repayment of RMB294 million of loans from a joint venture and an associate, an expenditure of RMB204 million for acquisition of fixed assets and intangible assets and the payment of RMB89 million for business combination under common control. The net cash outflows from financing activities was RMB853 million, which was mainly due to the issuance of super short-term financing bonds of RMB1,000 million in total by the Company, the receipt of long-term bank borrowings of RMB80 million for PPP projects during the year, the receipt of short-term bank borrowings of RMB120 million, the repayment of borrowings and interest expenses of approximately RMB1,682 million and the payment of dividends to shareholders of approximately RMB258 million for the year.

PLEDGE OF ASSETS

For the year ended 31 December 2022, the contract assets, trade receivables and intangible assets of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 31 December 2022, the net pledged receivables and intangible assets were RMB6,522 million (as at 31 December 2021: RMB7,024 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2022, there are no significant contingent liabilities of the Group.

CAPITAL COMMITMENT

The capital commitments of the Group as at 31 December 2022 and 31 December 2021 were as follows:

	31 December 2022 (RMB'000) (Audited)	31 December 2021* (RMB'000) (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**481,169**	7,310
Equity investments	**1,580,591**	2,836,570

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 2022, the net current assets of the Group were RMB2,022 million, among which cash and cash equivalents amounted to RMB4,240 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 2022, the gearing ratio was 70.78%.

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 31 December 2022 and 31 December 2021. The Group generally settles the borrowings on time.

	31 December 2022 (RMB'000) (Audited)	31 December 2021* (RMB'000) (Audited)
Bank borrowings		
Pledged	**5,090,234**	5,302,309
Guaranteed	**–**	13,804
Non-pledged and non-guaranteed	**135,349**	99,388
Other borrowings		
Non-pledged and non-guaranteed	**1,360,630**	1,464,873
Lease liabilities		
Non-pledged and non-guaranteed	**317,545**	316,627
	6,903,758	7,197,001

As at 31 December 2022, the Group's borrowings were denominated in RMB with interest rates ranging from 1.81% to 5.11%.

The table below sets forth the maturity of the Group's debts as at 31 December 2022 and 31 December 2021:

	31 December 2022 (RMB'000) (Audited)	31 December 2021* (RMB'000) (Audited)
Within one year	**1,428,700**	2,377,549
In the second year	**412,593**	432,343
In the third to fifth years, inclusive	**2,604,240**	2,415,349
Over five years	**2,458,225**	1,971,760
Total	**6,903,758**	7,197,001

EXCHANGE RATE RISK

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

EVENT AFTER THE BALANCE SHEET DATE

The Group did not have any significant events after the balance sheet date.

COMPANY-WIDE MANAGEMENT MEASURES IN 2023

In 2023, the Company will stick to scaling up design consultancy, enhancing EPC business, and actively fostering and developing new businesses, while making every effort to push forward the upgrading and development of the enterprise, promoting the Company's transformation towards a resource allocation platform, cultivating more professional companies, and striving to develop a new path for high-quality development.

The Company's specific management measures in 2023 include the following four areas:

1. *Continuing to upgrade and expand design and consultancy business*

   The Company will continue to consolidate its core business of rail transit design. Keeping abreast of the national strategies, we will step up our efforts to expand the markets in economically developed areas such as the Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Economic Circle, and focus on the development trend of multi-level rail transit system in metropolitan areas to actively seize the opportunities arising from markets such as suburban railways, city express lines, inter-city railways and existing line renovation. In terms of civil construction and municipal design business, the Company will continue to intensively develop Beijing market, and actively expand to markets outside Beijing while maintain the leading position of our residential design in Beijing. In addition, we will increase our efforts in developing design business including TOD integration, commercial complex, transportation hubs and the development of the upper cover, and explore potential projects such as planning and design, urban renewal, water environment management and construction cost consulting to constantly enrich the types of our design business. Moreover, we will expand high-end consultancy business and accelerate the development of a high-end consultancy service brand.

2. *Fully promoting the exploration of the engineering construction market*

   With adhering to the nationalization strategy, we will propel the newly merged construction business to expand into markets across China and promote more projects to implement by taking integrated development as a new starting point. We will carry out an in-depth consolidation of management concept, namely "clear responsibility, clear objectives, clear process and clear results" and "be fair in meting out rewards or punishments" to enhance the performance capabilities and profitability of projects. In addition, we will resolutely adhere to the red line of safety production by ensuring safe and steady production, promoting safety management in a coordinated manner, strictly implementing the main responsibility of safety production, and tightening and solidifying various safety management measures.

3. *Actively cultivating science and technology industrialization business*

The Company will promote the layout of scientific research and innovation in place, ensure the completion and operation of the innovation base of Shunyi Industrial Park, and carry out research on key technologies such as urban rail transit business data base, urban disaster prevention and safety, urban rail intelligent construction and intelligent design platform, so as to boost the innovation and development of enterprises. Guided by the market, the Company will promote the incubation of transportation big data, intelligent operation and maintenance system and other products. Products such as the digital platform, intelligent operation and maintenance system, "urban simulation" data platform, shock mount, interior decoration industrialization will be deeply connected to the market, while the "non-inductive security check" products will achieve their product iteration for market expansion. Furthermore, the Company will deepen innovative development, enlarge the room for synergistic industrial growth, and give full play to the advantages of the industrial chain, in a bid to drive synergistic growth of new businesses such as scientific and technological products, and investment and financing. In addition, the Company will facilitate the first set of scientific and technological products landing by virtue of investment projects.

4. *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)", strengthen the management of market value, internal control, audit and legal affairs, and improve the standard of corporate governance; deepen the regional reform by building regional institutes into a management center, technology center, performance center and cost center with a focus on three objectives of "market, performance and profit", so as to promote regional self-development; deepen the construction of the assessment system, and fully implement the tenure and contract-based working systems for managers; continue to strengthen talent support by focusing on improving quality and efficiency and cultivating inter-disciplinary talents, with a view to match the growth of talents' ability with the development of the enterprise; optimize its ERP system and advance information construction upgrade; and strengthen the construction of "website, Wechat, newspaper and book", striving to provide more services in line with customers' needs, and continuously expanding its brand influence.

BID WINNING

In 2022, 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 2022, the Company has won bids of RMB8.8 billion. Among them, the design, survey and consultancy business segment won the bids of RMB5.324 billion, and the overall engineering contracting business segment won the bids of RMB3.476 billion. As at the end of the reporting period, its contracts on hand amounted to RMB28.214 billion.

EMPLOYEES

As of 31 December 2022, the Group had approximately 4,946 employees, of which approximately 56% were employees at parent company and approximately 44% were employees at subsidiaries. The Company has 1 academician of the Chinese Academy of Engineering, 3 masters of survey and design, 6 experts enjoying government subsidies, middle and senior professional and technical personnel accounted for 73% of the total employees, and college graduates and above accounted for 92% of the total employees.

The size of the Company's staff has been effectively controlled, with stability of the staff increasingly improved. Specifically, the introduction rate of outstanding fresh graduates in key and difficult majors increased by 10% year-on-year; the proportion of non-production and management staff was reduced; and the proportion of personnel with senior professional titles or above and various registered professional qualifications further increased.

In terms of the construction for enterprise talents, the Company, focusing on young and middle-aged talents, innovated several cultivation measures and selected 146 young and middle-aged technical talents as reserve. Enterprise training was carried out in an orderly manner with nearly 1,500 training activities organised covering all levels, professions and themes to promote the enhancement of our employees' professional competence. The Company also organised expert lectures with many industry experts and leading figures of benchmarking enterprises invited to give lectures, so as to help employees broadening their horizons.

MARKET LANDSCAPE AND BUSINESS PROSPECT

In April 2022, the 11th meeting of the Central Finance and Economics Commission focused on the issue of comprehensively strengthening infrastructure construction. The meeting emphasized the position of "infrastructure is an important support for economic and social development", and put forward the general requirements of "coordinating development and security, optimizing infrastructure layout, structure, function and development mode, and building a modern infrastructure system". It is required to "strengthen the construction of urban infrastructure, create high-quality living space, promote the transportation integration of urban agglomeration, build a convenient and efficient inter-city railway network, develop municipal (suburban) railways and urban rail transit, promote the construction of urban comprehensive road transportation system, orderly promote the construction of underground comprehensive pipe gallery, and strengthen the construction of intelligent infrastructure".

On 29 April, the meeting of the Political Bureau of the CPC Central Committee further clarified the general tone of macro policy of this year, and put forward clear requirements for "Epidemic Prevention, Economic Stability and Safe Development" (疫情要防住、經濟要穩住、發展要安全). The first is that we should strengthen macro policy regulation to stabilize the economy solidly, and strive to achieve the expected goal of economic and social development throughout the year so that to stabilize the economic fundamentals. Specific measures include incremental policy tools, strengthening regulation, expanding domestic demand, giving play to the key role of effective investment, and comprehensively strengthening infrastructure construction. The second is that we should effectively control key risks and keep the bottom line of preventing systematic risks. It focuses on the insistence on the position of no speculation in housing. The third is that we should continue to promote economic transformation and upgrading. It is mainly to accelerate the construction of a new development pattern, deepen the supply side structural reform, solve the problems in development with reform methods, accelerate the realization of high-level scientific and technological self-reliance, and build a strong and resilient national economic cycle system.

On 25 May, the State Council held a teleconference on stabilizing the overall economic market nationwide. It is required to put stable growth in a more prominent position, focus on stabilizing market players to protect employment and people's livelihood, protect economic resilience, and strive to ensure that the economy achieves reasonable growth and the unemployment rate decreases as soon as possible in the second quarter, so as to maintain the economic operation in a reasonable range. The meaning of supporting is obvious.

In December 2022, the CPC Central Committee and the State Council issued the "Strategic Planning Outline for Expanding Domestic Demand (2022-2035)" 《擴大內需戰略規劃綱要(2022－2035年)》 (the "Outline"). Subsequently, the NDRC issued the "Strategic Implementation Plan of the "14th Five-Year Plan" for Expanding Domestic Demand" 《「十四五」擴大內需戰略實施方案》 in accordance with the Outline. The implementation plan points out that it is required to develop urban public transportation, improve the urban slow-moving transportation system, and significantly increase the proportion of buses, trams and rail transit in motorized travel, as well as accelerate the construction of transportation infrastructure. In addition, it is necessary to promote the main framework construction of the national comprehensive three-dimensional transportation network, and enhance the construction of strategic key channels in the central and western regions and along the river and coast. Besides, it is important to increase the density of rail traffic in the central urban area of megacities and improve the urban road network.

URBAN RAIL TRANSIT

Great efforts were made to attract more investments and to further motivate domestic demand during the three years of pandemic, however, after the General Office of the State Council of the People's Republic of China issued the "Opinions on Further Strengthening Management of Urban Rail Transit Planning and Construction" (Guo Ban Fa [2018] No. 52), the NDRC did not loosen restrictions on the approval of construction plans. Despite the obtaining of approvals for network plans of rail transit in Foshan, Wuxi and Qingdao in 2021 and those in Suzhou and Dongguan in 2022. The total number of approved rail transit lines was much less than those of previous years.

The tenders for a total of 37 overall design contracting projects for new domestic rail transit lines were concluded in 2022. In 2022, 10 units won the bid for the overall design of urban rail transit lines, and the Company ranked first by being granted the overall design of 9 lines.

Over the past three years, cities calling for bids for the overall design contracting projects of new urban rail transit lines were mainly located in the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Chengdu-Chongqing Economic Zone and the Beijing-Tianjin-Hebei region, and the total number of tenders in such cities accounted for 66% of the total in 2021 and 75% in 2022. Bidding through consortia, increasing urban (suburban) railways and intercity lines and the trend of projects gravitating to the three and half metropolitan areas had become the distinctive features in recent years.

RAIL TRANSIT SYNERGIZING WITH INNOVATIVE CONSTRUCTION

In 2022, the Company was granted the special subject on the Risk Prevention and Control Technology for Deep Karst Collapse and Demonstrations (深部岩溶塌陷風險防控技術及示範應用) under Prevention and Control of Major Natural Disasters and Public Safety in 14th Five-Year Plan by the Ministry of Science and Technology, and passed the performance evaluation for the undertaken special subject on the Multi-dimensional Online Automatic Monitoring and Intelligent Identification Technology for Underground Infrastructure (地下基礎設施多維度在線自動監測與智能辨識技術) under Key Technologies and Demonstrations of Internet of Things and Smart City in 13th Five-Year Plan from the Ministry of Science and Technology.

The Company was approved by the China Association for Science and Technology as an expert team for decision consulting of "Innovation China – Innovation Base of Digital Intelligence and Green Technology for Urban Rail Transit"(科創中國-城市軌道交通數字智慧與綠色技術創新基地) and "High-quality Development of Urban Rail Transit"(城市軌道交通高質量發展); and obtained the development project of science and technology service brand institution from Beijing Municipal Science and Technology Commission and Zhongguancun Management Committee; and jointly established the "Union Center of Urban Disaster Prevention and Safety" (城市防災與安全聯合中心) with Tsinghua University.

The technology for assembled station construction was successfully listed into the "Excellent Case of Innovation in Engineering and Green and Low Carbon Development" (工程創新服務綠色低碳發展優秀案例) of the World Federation of Engineering Organizations in 2022 and the cases of Low Carbon Concrete Linings of the International Tunnelling and Underground Space Association (ITA), and the achievements of "Research and Application of Prefabricated and Assembled Construction Technology for Metro Stations" (地鐵車站預制裝配化建造技術研究與應用) was praised as global leading.

MARKET LANDSCAPE AND BUSINESS PROSPECT (CONTINUED)

The Company's post-doctoral program operated smoothly with one post-doctoral fellow completing the work and leaving and another two in progress of research.

Each of the National Engineering Research Center, the Beijing Enterprise Innovation Center (北京市企業創新中心), the Rail Structure Center (軌道結構中心) and the Energy Conservation Center (節能中心) had played a leading role in the industry to different degrees.

SURVEY AND MEASUREMENT

The geographic information industry in the survey business has been listed as a national strategic emerging industry, which belongs to the high and new technology service industry. According to the "China Geographic Information Industry Development Report (2022)" (《中國地理信息產業發展報告(2022)》) issued by China Association for Geospatial Industry and Sciences, the total output value of China's geographic information industry in 2021 was RMB752.4 billion, an increase of 9.2% year-on-year. As one of the core industries of the digital economy, the geographic information industry has been a new growth pole of China's digital economy. With the gradual expansion of the industry scale and the continuous enhancement of innovation capacity, China's geographic information industry after more than 10 years of rapid development has now entered a high-quality development stage, and its industry scale is gradually growing.

As of the end of 2021, the number of enterprises engaged in China's geographic information industry exceeded 164,000, and the number of personnel engaged in the industry was nearly 4 million. The innovation capability has been continuously enhanced, therefore, there is rapid iteration of new technology and new products in fields of Internet mapping, location-based service, digital world and commercial remote sensing satellite. At present, the integration and development effect of survey big data information industry is significant. The survey geographic information data and economic, social, cultural, national defense, natural and other data are interrelated and dynamically updated, constantly generating new industrial growth points, and forming a survey information big data application market in the fields of transportation, urban management, agriculture, security and tourism. With the increase of mileage of urban rail transit lines and the extension of operation time, more and more attention has been paid to the traffic safety of the lines. The purpose of urban rail transit inspection is to understand the current situation of urban rail transit structures affected by construction, provide actual measurement parameters for structural safety assessment before and after construction, provide basis for the design and construction of new projects, and also provide data support for strengthening the maintenance and management of existing urban rail transit facilities to ensure their safety and reliability.

INVESTMENT AND CONSTRUCTION

At the beginning of 2022, the State Council issued the "14th Five-Year Plan for the Development of Modern Comprehensive Transportation System", putting forward "the goal of basically completing the "National 123 Travel Traffic Circle" by 2035"(one hour commute in urban areas, two hours commute in urban agglomerations, and three hours coverage in major cities nationwide). In the future, the intercity transportation construction of key urban agglomeration will be strengthened through the construction of intercity railway and suburban railway. It is expected that the market growth in the field of urban rail transit will slow down in the future, but it will provide large development space for investment and financing projects in the construction of intercity railway and suburban railway.

Affected by factors such as the national macro economy and the COVID-19 epidemic, the growth rate of the national scale of fixed asset investment continued to decline in 2022, 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 effectively improve the market quality as a whole. On the one hand, data from the Public-Private Partnerships Center of the MOF showed that as of the end of October 2022, the management database included 10,332 projects in total with an investment of RMB16.6 trillion, and a total of 8,448 contracts were signed, with a landing rate of 81.77%. 6,665 construction projects commenced construction, accounting for 64.5%. The PPP market is still an important part of the infrastructure investment and financing market in China. On the other hand, the Opinions on Further Revitalization of Reserve Assets to Expand Effective Investments (Guo Ban Fa [2022] No. 19) (《關於進一步盤活存量資產擴大有效投資的意見》(國辦發[2022]19號)) issued by the General Office of the State Council clearly puts forward and encourages the existing projects with long-term stable operating income to adopt PPP mode to revitalize the reserve assets. The successively promulgation of the Notice on Implementing the Specific Action for the Quality Improvement of Information on the National Project of Public-Private Partnership (PPP) Comprehensive Information Platform (Cai Ban Jin [2022] No. 45) (《關於開展全國PPP綜合信息平台項目信息質量提升專項行動的通知》(財辦金[2022]45號)) and the Notice on Promoting the Standardized Development and Sunshine Operation of the Public-Private Partnership (PPP) (Cai Jin [2022] No. 119) (《關於進一步推動政府和社會資本合作(PPP)規範發展、陽光運行的通知》(財金[2022]119號)) by the MOF both showed that PPP is still one of the effective methods for the investment in and financing of the national projects. Meanwhile, the state has also enhanced the information management and control and standardized development, the PPP projects will therefore be high-quality in the future.

In 2023, 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 overall advancement of constructing the intercity railways and urban (suburban) railways in urban agglomerations such as the Beijing-Tianjin-Hebei area, Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing area, the PPP mode will continue to play an important role in the infrastructure construction field in China, while the proportion of PPP+TOD mode or other innovative modes will gradually increase in the investment and financing model.

INVESTMENT AND FINANCING

In 2022, with a focus to stabilize the overall economic market, the state has committed to ensuring "stability and guarantees in six aspects". Leveraging on the infrastructure investment as a key factor, the state proactively introduced private capital to increase the issuance of special government bonds and strengthen the support on developmental and policy-oriented financial instruments, thereby supporting the overall stable development of China's infrastructure market in an effective manner.

In 2023, infrastructure investment is still an important step towards boosting the economic development and restoring the market confidence. Meanwhile, under the requirements of the 20th National Congress of the Communist Party of China on implementing the new development concept and driving high-quality economic development, the pace of market economy reform will be further accelerated, the progress of market-oriented infrastructure investment will be further advanced, and the strength of investment by social capital will be further manifested.

ARCHITECTURAL DESIGN BUSINESS

In 2022, in active response to the aerospace superpower strategy and to promote the spatial aggregation and functional integration of aerospace industry, provinces, municipalities and autonomous regions introduced a series of policies for supporting the construction of major projects such as aerospace industry bases, general centres and regional tech-innovation centres. As an infrastructure project for aerospace-related industries, the Aerospace Zhuozhou Industrial Park Phase II Batch I construction project (design) is the first order of the Group serving the aerospace business of our nation, which underpinned the bidding of similar projects in performance.

According to the Guidelines on the Reform and Development of Museums《關於推進博物館改革發展的指導意見》, China aims to basically develop itself as a global museum powerhouse by 2035. The Dabaotai Western Han Dynasty Tomb Site Preservation and Museum Renovation Project undertaken by the Company, another museum masterpiece after the Forbidden City Project, is one of the "Top 100 Archaeological Discoveries in a Century", enhancing and publicizing the Company's popularity and influence.

The Outline of the 14th Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035 of the People's Republic of China《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》(the "**14th Five-Year Plan of PRC**") proposed to implement the urban renewal initiatives and improve the urban spatial structure and quality. To maintain the competitiveness in the traditional private construction market, the Company strives to increase its coverage and capability in TOD and urban renewal sectors by undertaking the renovation and upgrading business of Beijing metro and vehicle sections, such as the Taiping Lake Vehicle Section Closed Renovation Project, the Metro Fuba Line Ceiling Renovation Project, and the upgrading and renovation of the Jinanqiao Station Square of Beijing Medium and Low Speed Maglev Demonstration Line (Line S1) Project.

In 2022, the residential related business market presented a sluggish trend as a whole due to, on one hand, factors such as increased downward pressure on economy and repeated epidemics in many places. According to the Bureau of Statistics, the floor area of commodity housing sold from January to October 2022 amounted to 1.11 billion sq.m., decreased by 22.3% year-on-year. On the other hand, under the guidance of the policy of "houses are for living in and not for speculation investment (房住不炒)", the central government continued to support local governments' optimization of real estate policies, and repeatedly proposed to allow local governments to flexibly utilize credit and other policies under the principle of "adoption of policies based on actual conditions of cities (一城一策)" to reasonably support rigid and improved housing demand.

Currently, various real estate policies are close to the laxest one in history, and may have a certain positive effect on the market in the future. Meanwhile, in 2023, against the backdrop of improving people's living quality and promoting harmonious development between humanity and nature, the housing market will focus on the future trend of green, low carbon and high quality. Furthermore, the construction of the housing system with both rent and purchase will be fully accelerated in the next five years under the joint efforts of relevant entities.

CONSTRUCTION CONTRACTING

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 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.

Beijing-Tianjin-Hebei area: with its stronghold in the Beijing, the Company will pay close attention to the market of rail transit construction, and focus on the progress of phase I of Line M101 and Phase I of Rail Transit Line S6 (New Zone Connection Line). The Company will continue to follow up the bidding for extension of existing rail transit lines in Beijing, the upgrading and renovation projects of aged lines, and the metros in Shijiazhuang.

Yangtze River Delta area: the Company will pay attention to metro projects in Suzhou, Hangzhou, Shaoxing, Ningbo and Xuzhou, and focus on the progress of phase I of Urban Rail Transit Line 5 in Xuzhou.

Guangdong-Hong Kong-Macao Greater Bay Area: based on the Guangzhou Metro Line 10, the Company will pay attention on railways, namely Foshan-Guangzhou-Dongguan Intercity Railway, Nansha-Zhongshan-Zhuhai Intercity Railway and urban rail transit projects in Guangzhou.

Chengdu-Chongqing area: with the opportunity of construction of the Bishan-Tongliang Line, the Company will pay close attention to 8 municipal railways, including Yongchuan Line, Dazu Line and Nanchuan Line in Chongqing, and urban rail transit projects in Chongqing.

MUNICIPAL PUBLIC PROJECTS CONSTRUCTION

In terms of comprehensive competitiveness in the water environment treatment segment, the Company was early engaged in the industry and continuously focused on water environment products and services and the innovation of supply chain construction since its commencement, thus demonstrating remarkable advantages among numerous brands. Its continuously increased capital also leads to a steady rise in user coverage. In addition, the multi-dimensional layout of water environment products has addressed users' funding and other problems. Making use of big data and artificial intelligence technology, water environment segment has satisfied new and existing users' needs in this industry to the greatest extent, becoming the users' first choice with the strongest comprehensive competitiveness. The Company has to focus on users' needs, enhance technical layout and improve water environment products through new technology so as to steadily improve its ranking in comprehensive competitiveness.

In terms of underground space, during the "13th Five-Year Plan" period, China's accumulated new GFA of underground space amounted to 1.33 billion sq.m., with new GFA per capita of underground space of 1.47 sq.m., which was calculated based on the permanent urban population of 901.99 million shown on the Communiqué of the Seventh National Population Census in 2020. The development of underground space has grown at a faster pace in Central and Northeast China. Rapid growth of urban underground facility system, such as subway, utility tunnel and others has increased economic and social impact of cities, and fully reflected the development track of China's urban underground space. Specifically, the underground space construction has developed rapidly, with the gap of annual new GFA of underground space between Central and Northeast China and East China narrowing year over year; urban underground space management policies have been formulated from scratch and gradually improved, and the underground space governance system has been preliminarily established.

OVERSEAS OPERATIONS

In line with the national foreign policy and adhering to the "One Belt, One Road" initiative, the Company has been expanding its overseas markets and business.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Hanjun (王漢軍), aged 58, is an executive Director, general manager and deputy party secretary of the Company. He has successively served as 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 of the People's Republic of China (中華人民共和國住房和城鄉建設部) in February 2005.

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

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Li Guoqing (李國慶), aged 56, 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 of the People's Republic of China 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 56, chairman and a non-executive Director of the Company, currently serves as 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 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.

Ms. Shi Huaxin (史樺鑫), aged 43, a non-executive Director of the Company, currently serves as 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. Peng Dongdong (彭冬東), aged 46, a non-executive Director of the Company, currently serves as the deputy general manager at the investment and development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Peng was appointed as a non-executive Director of the Company since March 2022. From August 1999 to December 2002, Mr. Peng successively served as a construction worker, engineer and technical person in charge of the Beijing-Shijiazhuang Branch of the Beijing Highway Bureau (北京市公路局京石分局); from December 2002 to January 2004, he successively served as the technical project director and project manager of the Fifth Engineering Office of Beijing Highway and Bridge Construction Company (北京市公路橋樑建設公司第五工程處); from January 2004 to December 2006, he served as the manager of the Engineering Department of Beijing Highway and Bridge Construction Company; from December 2006 to March 2011, he served as the business director of the Engineering Management Department of Beijing Municipal Road and Bridge Construction Holdings (Group) Co., Ltd. (北京市政路橋建設控股(集團)有限公司); from March 2011 to September 2015, he served as the deputy director of the Engineering and Technology Management Department of Beijing Municipal Road and Bridge Construction Holdings (Group) Co., Ltd.; from September 2015 to July 2018, he served as the director of the Production and Operation Department of Beijing Municipal Road and Bridge Construction Group Co., Ltd. (北京市政路橋集團有限公司); from July 2018 to April 2020, he served as the director of the Investment and Operation Department of Beijing Municipal Road and Bridge Group Co., Ltd. and the executive director of Beijing Municipal Road and Bridge Group Guangzhou Company; Since April 2020, he has been the deputy general manager at the investment and development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Peng concurrently served as a director of Xinjiang Urumqi-Beijing Railway Construction Rail Transit Co., Ltd. (新疆烏京鐵建軌道交通有限公司) in March 2021. Mr. Peng obtained a bachelor's degree in highway and urban roads from the Department of Road and Bridge Engineering of Changsha University of Science and Technology in July 1999; and obtained a master's degree in project management from the School of Economics and Management of Beijing University of Technology in July 2014; Mr. Peng was qualified as a grade-one constructor in November 2006.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Li Fei (李飛), aged 43, a non-executive Director of the Company, currently serves as the senior investment manager at the investment and development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Li was appointed as a non-executive Director of the Company since March 2022. From September 2002 to December 2004, Mr. Li served as the investment and financing manager of Xinjie Investment Guarantee Co., Ltd. (信捷投資擔保有限公司); from December 2004 to June 2009,he was the investment director of Zhongxin Guolian Investment Co., Ltd. (中新國聯投資有限公司); from June 2009 to December 2011, he served as the investment director of Beijing Yingxinda Venture Capital Co., Ltd. (北京盈信達創業投資有限公司); since December 2011, he has successively served as the investment manager and senior investment manager at the investment and development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Li concurrently served as a director of Traffic Control Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688015) in April 2021, and a director of Beijing Information Infrastructure Construction Co., Ltd. in December 2021. Mr. Li obtained a bachelor's degree in economics from Changsha University of Science and Technology in July 2002 and a master's degree in finance from the Institute of Finance and Banking, Chinese Academy of Social Sciences in July 2011.

Mr. Wang Tao (汪濤), aged 46, 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.

Ms. Tang Qimeng (唐其夢), aged 33, a non-executive Director of the Company, currently serves as the chairlady of Beijing Zhongcheng Hengxing Investment Management Co., Ltd. (北京忠誠恒興投資管理有限公司). Ms. Tang was appointed as a non-executive Director of the Company since March 2022. Ms. Tang served as the head of funds of CITIC Heye Investment Co., Ltd. (中信和業投資有限公司) from November 2012 to March 2016, and served as the senior manager of the bond financing department of Kaiyuan Securities Co., Ltd. (開源證券股份有限公司) from April 2016 to March 2017. From March 2017 to February 2021, she served as the deputy general manager of the Finance Department of Taitong Construction Co., Ltd. (太通建設有限公司), and since March 2021, she has served as the chairlady of Beijing Zhongcheng Hengxing Investment Management Co., Ltd. Ms. Tang obtained a bachelor's degree in management under the major of accounting (fully in English) from the business school of Beijing Technology and Business University in July 2011, and a master's degree in accounting under the major of international accounting and financial management in September 2012 from the University of Glasgow, UK. Ms. Tang is currently a member of the Youth Federation of Tongzhou District, Beijing.

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 of the People's Republic of China 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 50, an independent non-executive Director of the Company, currently serves as a professor (tenure) and the associate dean of the College of Business of Chinese University of Hong Kong. Mr. Ma was appointed as independent non-executive Director of the Company since December 2019. Mr. Ma obtained a bachelor's degree in engineering from the School of Management of Xi'an Jiaotong University in 1995 and then worked in Sinochem Corporation (中國中化集團) from 1995 to 2001. Mr. Ma obtained an MBA degree from the School of Business of University of Saskatchewan in Canada in 2003, and obtained a doctoral degree from the Department of Business Policy of the College of Business of National University of Singapore in 2007. Mr. Ma taught at the Department of Management of the College of Business of Chinese University of Hong Kong from 2007 to 2018 and served as a tenure-track faculty member, and acted as the director of the Entrepreneurship Research Center and International Business Research Center of Chinese University of Hong Kong. From 2018 to 2020, he taught at the Department of Management of the College of Business of City University of Hong Kong as a professor (tenure). From 2020 to 2022, he served as a long-term hired professor 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, and was appointed as a "Terry Gou Chair Professor" in 2022. Mr. Ma obtained his qualification approval from the China Banking Regulatory Commission Shaanxi Office in 2016, and acted as an independent director of Western Trust Co., Ltd. (西部信託有限公司) from 2016 to 2022, and an independent director of Tubatu Group Co., Ltd. (土巴兔集團股份有限公司) from 2019 to 2022. Mr. Ma obtained the "Certificate of Independent Director of Listed Companies" from Shenzhen Stock Exchange in August 2020.

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 an independent director of Guizhou Tyre Co., Ltd. (貴州輪胎股份有限公司) from July 2015 to April 2022. 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).

Mr. Xia Peng (夏鵬), aged 57, an independent non-executive Director of the Company, currently serves as the chairman of Beijing Dahua Rongzhi Management Consulting Co., Ltd. (北京大華融智管理諮詢有限公司). Mr. Xia was appointed as an independent non-executive Director of the Company since March 2022. From July 1984 to September 1987, Mr. Xia taught at Hubei Provincial Institute of Education; from July 1990 to June 2003, he served as the vice-president and secretary-general of the Accounting Society For Foreign Economic Relations & Trade of China under the Ministry of Commerce, and the Editor-in-chief of the "Foreign Economics and Trade Accounting" 《對外經貿財會》 magazine; from June 2003 to November 2009, he served as the financial director and director of the financial center of Beijing Radio and Television Group; from November 2009 to December 2012, he served as the financial director and general manager of the investment and financing department of China Broadcasting Corporation; from December 2012 to August 2016, he served as the chairman and consultant of Beijing Shenhuaxin Co., Ltd. (北京深華新股份有限公司); since September 2016, he has been the chairman of Beijing Dahua Rongzhi Management Consulting Co., Ltd. Mr. Xia studied in Central China Normal College from September 1980 to July 1984 and obtained a bachelor's degree in science; from September 1987 to July 1990, he studied in Tianjin Institute of Finance and Economics and obtained a master's degree in economics; from September 2001 to January 2005, he studied at the Accounting Department of the Business School of Renmin University of China and obtained a doctorate degree in management. From December 2005 to October 2010, he studied in the first session of the National Accounting Leading Talent Enterprises (全國會計領軍人才企業一期班) of the Ministry of Finance and obtained the Certificate of National Accounting Leading Talent. Mr. Xia was qualified as a senior accountant by the Beijing Senior Professional and Technical Qualification Evaluation Committee in April 1999, and was qualified as a certified public accountant by the Ministry of Finance in May 1995. Mr. Xia is currently an independent director of SPIC Dongfang New Energy Corporation (國家電投集團東方新能源股份有限公司), Youyan New Materials Co., Ltd. (有研新材料股份有限公司), Beijing Haixin Kejin High-tech Co., Ltd. (北京海鑫科金高科技股份有限公司) and Inner Mongolia Dian Tou Energy Corporation Limited (內蒙古電投能源股份有公司).

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 the 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 52, 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. Fang Binjia (方斌佳), aged 32, a Supervisor of the Company, currently serves as an employee of Beijing Jingguorui Equity Investment Fund Management Co., Ltd. (北京京國瑞股權投資基金管理有限公司). Mr. Fang was appointed as a Supervisor of the Company since March 2022. Mr. Fang worked in Beijing State-owned Capital Operation Management Co., Ltd. (北京國有資本運營管理有限公司) (formerly Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心)) from July 2015 to November 2021, and successively served as the business assistant of the Fund Investment Department, the business assistant and business supervisor of the third investment management department, and the business supervisor and business manager of the second investment management department; since December 2021, he has been an employee of Beijing Jingguorui Equity Investment Fund Management Co., Ltd.. Mr. Fang obtained a bachelor's degree in finance from Wuhan University in July 2013; and a master's degree in finance from Renmin University of China in July 2015.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Li Yan (李儼), aged 44, a Supervisor of the Company, currently serves as an executive director of Beijing Rongyi Investment Management Co., Ltd. (北京融溢投資管理有限公司). Mr. Li was appointed as a Supervisor of the Company since March 2022. From October 2003 to May 2005, Mr. Li Yan served as the product manager of the 3G product department of UT Starcom; from June 2005 to December 2006, he served as the key account manager of the Siemens Integration Department in Siemens Communications Group; from January 2007 to September 2009, he served as the department manager of the business development department of Investment Beijing International Co., Ltd. (投資北京國際有限公司); from September 2009 to March 2018, he served as the investment director of the investment department of Zhongguancun Xingye Investment Management Co., Ltd. (中關村興業投資管理有限公司); from March 2018 to March 2019, he was the founder and general manager of Heguang Smart Energy Technology Co., Ltd. (和光智慧能源科技有限公司); from March 2019 to May 2021, he served as the managing director of Beijing Gaojie Asset Management Co., Ltd. (北京高捷資產管理有限公司); since May 2021, he has been the executive director of Beijing Rongyi Investment Management Co., Ltd., the holding subsidiary of Beijing Jingguochuang Fund Management Co., Ltd. (北京京國創基金管理有限公司). Mr. Li graduated with a master's degree in electrical engineering from Western University in Canada, an EMBA from Tsinghua University, and a bachelor's degree in electrical engineering and information science from the University of Science and Technology of China.

Mr. Liu Hao (劉皓), aged 42, is an employee representative Supervisor of the Company and the chief engineer of the seventh design institute and the technical supervisor of Xiamen branch of the Company. Mr. Liu was appointed as an employee representative Supervisor of the Company since August 2017. Mr. Liu has worked successively as the designer, the director of driving station office, the technical supervisor of Xiamen branch and the chief engineer of the seventh design institute 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.

Ms. Yang Huiju (楊卉菊), aged 53, is an employee representative Supervisor of the Company and the technical supervisor of Xi'an branch of the Company. Ms. Yang was appointed as an employee representative Supervisor of the Company since August 2017. Ms. Yang has worked as the designer and the technical supervisor of 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. Ban Jianbo (班健波), aged 35, 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 was appointed as an employee representative Supervisor of the Company since August 2017. Mr. Ban has worked successively as the legal specialist of the enterprise management division and 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's degree 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.

OTHER SENIOR MANAGEMENT

Mr. Jin Huai (金淮), aged 58, 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 57, 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 department of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction contracting department of BUCG in October 2012. In December 2012, the rail transit construction contracting department of BUCG was restructured and consolidated into the Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr. Wang has been serving as a deputy general manager of the Company and he has been the general manager of the Construction Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the grade-one constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Yu Songwei (于松偉), aged 57, is a deputy general 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 55, 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 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 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 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 47, 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. 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, serves as the deputy general manager 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 has 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.

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT (CONTINUED)

Mr. Lu Weidong (魯衛東), aged 51, serves as the chief engineer of the Company. Mr. Lu started his career in July 1993, and served as the designer, director of the office, deputy chief engineer, deputy chief engineer and director of the Third Institute of Beijing Urban Construction Design and Research Institute (北京城建設計研究總院), deputy chief engineer and technical director of Design & Development Group (設計發展集團). He has been the chief engineer of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) since September 2022. Mr. Lu graduated from the School of Architecture and Civil Engineering of Beijing Jiaotong University (北京交通大學), majoring in structure and obtaining a master's degree in engineering. He was qualified as a professor-level senior engineer.

Mr. Xu Chengyong (徐成永), aged 49, serves as the chief planner 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 of the People's Republic of China in June 2019.

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., Ltd. 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., Ltd. from June 2002 to June 2004; the financial director of Beijing CCID Times Information Industry Co., Ltd. (北京賽迪時代信息產業股份有限公司) 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. (北京城建房地產開發有限公司) 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 54, 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 has 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 Institute of Railway Sciences, Shanghai in July 1990, and obtained an executive master of business administration from Renmin University of China. In February 2007, Mr. Xuan 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 2022.

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 2022, the Company recorded revenue of RMB10,600 million, an increase of RMB341 million or 3.32% from the corresponding period of last year. In particular, revenue from the design, survey and consultancy business segment amounted to RMB4,426 million, and revenue from the construction general contracting business was RMB6,174 million.

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.

Focusing on our main business, and making some progress in market expansion. In terms of rail transit, we won the bids for the overall design projects of nine lines in eight cities including Beijing, Shijiazhuang and Chongqing, ranking first in the industry. **In terms of survey business,** the Company maintained its leading position in the industry. **In terms of civil construction and municipal businesses,** the Company signed a number of influential national major projects. **In terms of investment and financing business,** we continued to follow up projects with investment value, and our equity investment achieved historic result when Beijing Jiuzhou first rail Environmental Technology Co., Ltd. was successfully listed on the Science and Technology Innovation Board. **In terms of science and technology industrialization,** we successively obtained many orders in the market, with a number of products being put into pilot application.

Focusing on key projects to continuously improve the contract performance of the Company. In terms of design and consultancy business, keeping in pace with the preparation for the Winter Paralympic Games, we successfully delivered the emergency support projects at the competition venues of the Winter Olympics in Zhangjiakou and Beijing. We spared no efforts to ensure the opening and operation of 13 overall turnkey lines in Hangzhou, Shaoxing, Chongqing, Zhengzhou and other cities. **In terms of engineering construction,** the Fengtai Station of Beijing Line 16 and the Gangqu North Station of Zhengzhou-Xuchang City Railway were completed and commenced operation, and the tunnels of Shaoxing Line 2 and Guangzhou Line 10 were fully connected. **In terms of investment and construction,** key projects were steadily advanced as three of the seven tunnels in the whole line of the Chongqing Bishan-Tonglian Line PPP project were successfully connected, and the excavation work of the Yunwushan Tunnel, a critical project, was more than half completed. Shaoxing Line 1 invested by us was put into operation. **In terms of operation projects,** Kunming Metro Line 4 operated smoothly, and brand packaging and marketing promotion of East Mount Huangshan Cultural Tourism District were carried out orderly. Zhuzhou Smart Rail was put into full operation, with a cumulative passenger volume exceeding 10 million. The operation and maintenance of municipal projects such as Anqing North Ring Road are in good condition.

Focusing on innovation empowerment, and continuously strengthening the comprehensive strength of the Company. The Company has been successfully approved as the Science and Technology Innovation Base (科技創新基地) of China Association for Science and Technology, and established the "Joint Research Center for Urban Disaster Prevention and Safety" with Tsinghua University. It has obtained 43 scientific research tasks including the national "14th Five-Year Plan" key research and development Plan. Besides, the Company was recognized as one of the first batch of science and technology service brand institutions in Beijing for its three new "science and technology small and medium-sized enterprise" in Beijing. In addition, the Company has been awarded 1 Luban Prize, 50 scientific research awards including the Beijing Science and Technology Award, 44 provincial survey and design awards, 6 provincial quality projects and 2 Zhan Tianyou Awards, and obtained 180 patents and software copyrights. Prefabricated construction technology has been selected as an excellent case by the World Federation of Engineering Organizations and the International Tunnelling Association, and is the only selected project in China. The Company completed 24 national standards, industrial standards and local standards, etc. Furthermore, the Company successfully held the final of the 3rd Innovation and Entrepreneurship Competition. All mentioned above has fully demonstrated the Company's comprehensive strength and its influence in the industry.

Focusing on reform and innovation to continually promote high-quality development of the Company. In terms of deepening reform, the Residential Institute and the rail construction business of BUCC had been successively merged, solving the key problem of horizontal competition; and the regionalization reform of rail transit design business had been implemented to consolidate the regional operation and technical quality functions, thereby accelerating the release of enterprise productivity. As for consultancy business, it completed resource integration, providing strengths for the long-term development of the enterprise. We strengthened strategic cooperation with owners and initiated the formation of several joint ventures to expand development space. **In terms of operation management,** internal clearance of debts was resolved in an orderly manner, and the management on design-led EPC projects was initially standardized with subcontracting and bidding of design was based on evidence. The requirements of project management, namely "clear responsibility, clear objectives, clear process and clear results" and "be fair in meting out rewards or punishments" for engineering projects were effectively implemented. Moreover, the size of workforce was under effective control. The establishment of compliance system produced a marked effect. As the credit rating of the enterprise was maintained at AA+, two ultra-short-term financing were successfully issued with securing funding of RMB1 billion and effectively reducing financing costs.

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

2022 was an extremely important year in Chinese history and a year of special significance in the process of national modernization. The country's economic development has been hit by multiple unexpected factors domestically and internationally, such as the epidemic, etc. In the face of new downward pressure on the economy, the country has responded decisively and made timely adjustments, by utilizing the policy tools it has stockpiled in recent years, implementing established policy measures in advance, unswervingly pushing forward supply-side structural reforms, introducing and implementing a package of policies and successive measures to stabilize the economy, deploying work to stabilize the economy, and strengthening supervision and services for local policy implementation. In addition, the country's economy has been stabilized and rebounded by supporting localities to explore policy potentials, supporting large economic provinces to take the lead, highlighting stable growth and employment, and stabilizing prices. Based on the implementation of the "14th Five-Year Plan", 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

With the development of 5G, big data, cloud computing and other technologies, the competition within the rail transit industry has been intensifying. A new development pattern will occur as domestic rail transit being deployed to more regions.

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 deepen its employees' understanding of 5G, big data, cloud computing infrastructure, as well as changes in the model of future construction, operation and investment, and 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

2023 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.

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 2022, 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 continuous safety publicity and training and the preparation of the Dedicated Safety Manager's Manual. The Company improved the construction of safety management system, revised five safety management systems throughout the year, including the Full Employee Safety Production Responsibility System, and supplemented the compendium of the Company's safety management system.

The Company launched various safety activities, including the fire fighting skills competition, safety production inspection, comprehensive emergency response drills for rail transit engineering construction accidents, online knowledge quiz activities in the Month of Safety to effectively advocate the Company's safety culture development 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 101 to 102 of this report.

On 24 March 2023, the Board proposed the distribution of a final dividend of RMB0.1898 per share (before applicable tax) for the year, after the appropriations of 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 of the Company at the 2022 annual general meeting to be held on 25 May 2023. 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 7 June 2023 before 25 August 2023.

The register of members of the Company will be closed from Saturday, 20 May 2023 to Thursday, 25 May 2023 (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 Thursday, 25 May 2023 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 Friday, 19 May 2023 for registration.

The H Shares register of members of the Company will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023 (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, 1 June 2023.

In accordance with Article 164 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 2022 annual general meeting to be held on 25 May 2023.

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 is 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税法》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 27 to 39 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

At the 2022 First Extraordinary General Meeting held on 11 March 2022, Mr. Wang Hanjun and Mr. Li Guoqing were appointed as executive Directors, Mr. Pei Hongwei, Ms. Shi Huaxin, Mr. Peng Dongdong, Mr. Li Fei, Mr. Wang Tao and Ms. Tang Qimeng were appointed as non-executive Directors of the Company, and Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng were appointed as independent non-executive Directors. They were appointed as Directors of the third session of the Board for a term of three years commencing from 11 March 2022. Ms. Wu Donghui, Mr. Guan Jifa, Mr. Ren Yuhang, Mr. Su Bin, Mr. Ren Chong, Mr. Sun Maozhu and Mr. Liang Qinghuai retired as Directors on the same day due to the re-election arrangement of the Board. For details on above changes, please refer to the announcement of the Company dated 11 March 2022.

Change of Supervisors

At the 2022 First Extraordinary General Meeting held on 11 March 2022, Mr. Hu Shengjie, Ms. Nie Kun, Mr. Fang Binjia and Mr. Li Yan were appointed as the Supervisors of the third session of the Board of Supervisors, and comprised the third session of the Board of Supervisors together with Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, the employee representative Supervisors, for a term of three years commencing from 11 March 2022. Mr. Liang Wangnan, Mr. Chen Rui and Mr. Zuo Chuanchang retired as Supervisors on the same day due to the re-election arrangement of the Board of Supervisors. For details on above changes, please refer to the announcement of the Company dated 11 March 2022.

Change of the Chairman of the Board

The Board elected Mr. Pei Hongwei as the chairman of the third session of the Board at the Board meeting held on 11 March 2022, with immediate effect.

Appointment of Members of Board Committees

The Board elected the following persons as members of the third session of the Board committees at the Board meeting held on 11 March 2022:

Nomination Committee

Chairman: Pei Hongwei
Members: Wang Guofeng, Qin Guisheng

Audit Committee

Chairman: Xia Peng
Members: Qin Guisheng, Peng Dongdong

Remuneration Committee

Chairman: Wang Guofeng
Members: Ma Xufei, Wang Tao

Overseas Risk Control Committee

Chairman: Pei Hongwei
Members: Wang Hanjun, Li Guoqing

Change of the Chairman of the Board of Supervisors

The Board of Supervisors elected Mr. Hu Shengjie as the chairman of the third session of the Board of Supervisors at the meeting of the Board of Supervisors held on 11 March 2022, with immediate effect.

Change of Senior Management

At the Board meeting held on 12 August 2022, Mr. Lu Weidong was appointed as the chief engineer of the Company, and Mr. Yang Xiuren ceased to hold such position, with immediate effect.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this annual report, the Company is not aware of any other financial, business, family or other material or relevant relationships among the Directors, Supervisors and senior management of the Company.

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.

PENALTIES OR INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

During the Reporting Period, no Directors or Supervisors of the Company has been subject to penalties or investigations by competent authorities causing a material impact on the operations of the Company.

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

For the year ended 31 December 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 39 to the financial statements.

For the year ended 31 December 2022, the remuneration of other senior management members by bands is set out as follows:

Remuneration Band	Number of person
RMB100,000 – 500,000	1
RMB500,001 – 1,000,000	10
RMB1,000,001 – 1,500,000	1

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 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 2022, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the Shares and underlying Shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Domestic Shares

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.

2. Beijing 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 and Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) ("**MTR Construction**") implemented a merger and restructuring. 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 2022, 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 2022 was as follows:

Class of Shares	Number of Shares as at 31 December 2022	Percentage of total number of Shares in issue as at 31 December 2022
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 2022.

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 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB3,086,660 thousand.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2022, the Company had distributable retained earnings of RMB3,086,660 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 9.7% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 4.1% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 50.7% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 19.0% 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

No.	Name	Registered Capital RMB'0000	Form of Shareholding	Equity Structure	Date of Establishment	Scope of Business
1	Guangxi Rail Transit Zhiwei Technology Co., Ltd. (廣西軌交智維科技有限公司)	300.00	Partial equity	Beijing Urban Construction Design & Development Group Co., Limited: 33.50% Nanning Rail Transit Operation Co., Ltd.: 35.00% Nanning Kuanyan Information Technology Co., Ltd.: 16.50% Xinjiang Zhonghaojie Construction Engineering Co., Ltd.: 15.00%	13 October 2022	Licensed businesses: construction of engineering projects; design of engineering projects; survey of engineering projects; surveying and mapping services; installation of protective equipment for civil air defense engineering; sales of protective equipment for civil air defense engineering; electrical installation services; installation, maintenance and commissioning of electric power facilities for transmission, supply and reception; engineering project quality inspection; design of intelligent building system; sales of computer information system security products; roadbed and road surface maintenance; highway management and maintenance. (for projects subject to approval according to law, business operation may only be carried out upon approval of relevant departments, and specific business operations shall be subject to approval documents or license certificates of relevant departments) General businesses: technical service, technology development, technology consultation, technology exchange, technology transfer, technology promotion; software development; geographic remote sensing information service; digital technology service; retail of computer hardware, software and ancillary equipment; development of network and information security software; 5G communication technology service; data processing and storage support service; research and development (R&D) of mechanical equipment; R&D of internet of things (IoT) technology; information technology consulting service; blockchain technology related software and service; information system operation and maintenance service; software outsourcing service; building information model technology development, technical consulting, technical service; artificial intelligence industry application system integration service; sales of electronic products; information system integration service;

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

No.	Name	Registered Capital RMB'0000	Form of Shareholding	Equity Structure	Date of Establishment	Scope of Business
						sales of industrial automatic control system device; sales of IoT device; sales of special equipment for geological exploration; external contracted projects; geological exploration technical services; landscaping engineering construction; environmental protection monitoring; leasing of construction machinery and equipment; labor service (excluding labor dispatch); sales of railway transport infrastructure equipment; R&D of intelligent robot; sales of intelligent robot; sales of special machinery for tunnel construction; sales of information security equipment; IoT technical service; internet security service; integrated application system of satellite technology; sales of special instruments for navigation, surveying and mapping, meteorology and ocean; sales of network equipment; sales of software; sales of special equipment, key systems and components for rail transit; sales of industrial control computer and system; sales of mobile terminal equipment; sales of optical communication equipment; IoT application service; network technology service; sales of digital video surveillance system; security system monitoring services; sales of security equipment; natural science research and experimental development; development of rail transit operation management system; manufacturing of special measuring or commissioning instrument for railway; sales of special measuring or commissioning instrument for railway; metrological technical service; manufacturing of intelligent instrument; sales of intelligent instrument; engineering and technology research and experimental development; sales of high-speed rail equipment and accessories; basic geological exploration; sales of special instruments for environmental monitoring; sales of rail transit engineering machinery and parts; passenger ticket agent; sales of vibration and noise reduction equipment; engineering management service; internet data service; sales of electronic measuring instrument.

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 2022, the investment amount was RMB2.04 billion, accounting for 8.5% of the total asset value as at 31 December 2022, 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%	1,541,227	180,268

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) Acquisition of the Entire Equity Interest in the Residential Institute

On 22 February 2022, the Company entered into the Equity Transfer Agreement with Beijing Uni.-Construction Group Co., Ltd.* (北京住總集團有限責任公司) ("**BUCC**") in relation to the acquisition of the entire equity interest in the Beijing Institute of Residential Building Design & Research Co., Ltd. (北京市住宅建築設計研究院有限公司) ("**Residential Institute**") at a consideration of RMB69,769,600. Please refer to the connected transaction announcement of the Company dated 22 February 2022 for details.

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. BUCC is a wholly-owned subsidiary of BUCG. Accordingly, BUCC is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the acquisition of the entire equity interest in the Residential Institute by the Company pursuant to the Equity Transfer Agreement constitutes a connected transaction of the Company.

(II) Entering into the Asset Transfer Agreement

On 26 October 2022, the Company entered into the Asset Transfer Agreement with BUCC in relation to the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC at a consideration of RMB19,244,700. Please refer to the connected transaction announcements of the Company dated 26 October 2022 and 4 November 2022 for details.

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. BUCC is a wholly-owned subsidiary of BUCG. Accordingly, BUCC is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC by the Company pursuant to the Asset Transfer Agreement will constitute a connected transaction of the Company.

Non-exempt Continuing Connected Transactions

The annual caps for the non-exempt continuing connected transactions of the Group in 2022 and the actual transaction amounts of such continuing connected transaction of the Group in 2022 are set out below:

	For the year ended 31 December 2022	
	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	310	527
(2) Expenditure incurred by BUCG, its subsidiaries, joint ventures and/or associates for provision of services to the Group	88	2,142
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	27	35
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	438	1,870
(2) Revenue generated by the Group for providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates	1,942	2,365
(3) Expenditure incurred by Beijing Investment Company, its subsidiaries and/or associates for providing survey, design and consultancy services to the Group	0.046	9.4
(4) Expenditure incurred by Beijing Investment Company, its subsidiaries and/or associates for providing construction contracting services to the Group	2.8	68.2
(5) Expenditure incurred by the Group for leasing the property and land from Beijing Investment Company, its subsidiaries and/or associates	2.3	N/A

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

The renewed Integrated Services Framework Agreement between the Company and BUCG on 9 March 2017 has expired on 31 December 2019. Subject to the approval by the Company at the 2019 second extraordinary general meeting on 30 December 2019, the Company and BUCG renewed the Integrated Services Framework Agreement (the "**Renewed Integrated Services Framework Agreement**") on 30 December 2019 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 (the "**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 28%–32% of the contracting amount and 8%-15% 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 2022, (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 2022 for such transactions was RMB527 million, whereas the actual revenue generated was RMB310 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 2022 for such transactions was RMB2,142 million, whereas the actual expenditure incurred was RMB88 million.

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

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries 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 of the Company dated 8 November 2019.

Due to the fact that the Company entered into an agreement in relation to the acquisition of the entire equity interest in the Residential Institute in 2022, which resulted in an increase in the continuing connected transactions relating to properties and lands between the Group and BUCG following the integration of the Residential Institute into the Group, the Company therefore has revised the annual cap for the year of 2022 under the Existing Property and Land Leasing Framework Agreement in light of the actual situation. On 16 December 2022, the Board resolved to adjust the annual cap for the year ended 31 December 2022 under the Existing Property and Land Leasing Framework Agreement from the original amount of RMB21 million to RMB35 million. Except for the adjustment to the annual cap, other terms of the Existing Property and Land Leasing Framework Agreement remain unchanged.

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 2022, 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 2022 for such transactions was RMB35 million, whereas the actual expenditure was RMB27 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 Company pursuant to the Hong Kong Listing Rules. Accordingly, the Company entered into the New Integrated Services Framework Agreement (the "**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.

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 Company, 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; (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 2022, (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 2022 for such transactions was RMB1,870 million, whereas the actual revenue occurred was RMB438 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 2022 for such transactions was RMB2,365 million, whereas the actual revenue occurred was RMB1,942 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 2022 for such transactions was RMB9.4 million, whereas the actual expenditure was RMB0.046 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 2022 for such transactions was RMB68.2 million, whereas the actual expenditure was RMB2.8 million.

MATERIAL RELATED-PARTY TRANSACTIONS

Details of related-party transactions are set out in note 39 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 39 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 2022 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 dated 29 October 2015, the circular dated 11 December 2015, the announcements of the Company dated 10 November 2021 and 29 December 2021 and the circular of the Company dated 10 December 2021, respectively.

BUCG stated that for the year ended 31 December 2022, 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 2022, 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, 29 March 2018 and 30 September 2022 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 the public.

As of the date of this report, the public float of the Company was approximately 23.70%, 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 fully aware of the existence of the problem of insufficient public float at present. The Company is proactively taking practicable measures to recover the public float level. Having taking into account various considerations, the Company hopes to restore the public float through A share issuance plan, and will update the Shareholders and potential investors on the progress of the A share issuance and the public float in due course. Please refer to the announcements of the Company dated 2 November 2022, 3 March 2023 and 13 March 2023 and the notice of the general meeting of shareholders and the circular dated 30 March 2023 for the update on the issuance of A shares of the Company.

AUDITORS

The financial statements for the Year have been audited by Ernst & Young. In the forthcoming 2022 general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2023 will be proposed. They were also the auditors of the Company for the 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 2022.

By order of the Board
Chairman
Pei Hongwei

Beijing, 24 March 2023

REPORT OF THE BOARD OF SUPERVISORS

Dear Shareholders

During the year of 2022, 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 three meetings in total, at which the proposals were considered and approved, including the Proposal on Review of the Nomination of Supervisors of the Third Session of the Supervisory Committee in February 2022, the Proposal on the Election of Chairman of the Third Session of the Supervisory Committee of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) and the Proposal on the 2021 Report of the Board of Supervisors in March 2022.

WORK OF THE BOARD OF SUPERVISORS

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2022 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

The terms of office of the members of the second session of the Board of Supervisors of the Company expired on 14 August 2021. Therefore, in accordance with the Company Law and the Articles of Association, the election of Supervisors of the third session of the Board of Supervisors was held during the Reporting Period, and was considered and approved at the 2022 first extraordinary general meeting of the Company. The members of the second session of the Board of Supervisors shall continue to perform their duties prior to the third session of the Board of Supervisors taking office after election.

At the 2022 first extraordinary general meeting held on 11 March 2022, Mr. Hu Shengjie, Ms. Nie Kun, Mr. Fang Binjia and Mr. Li Yan were appointed as the Supervisors of the third session of the Board of Supervisors, and comprised the third session of the Board of Supervisors together with Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, the employee representative Supervisors, with a term for three years starting from 11 March 2022. Mr. Liang Wangnan, Mr. Chen Rui and Mr. Zuo Chuanchang resigned as Supervisors on the same day due to the re-election of the Board of Supervisors. The Board of Supervisors elected Mr. Hu Shengjie as the chairman of the third session of the Board of Supervisors at the meeting of the Board of Supervisors held on 11 March 2022, with immediate effect. Please refer to the announcement of the Company dated 11 March 2022 for details.

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 2022 and the audited annual financial statements for 2022 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 2023, 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, 24 March 2023

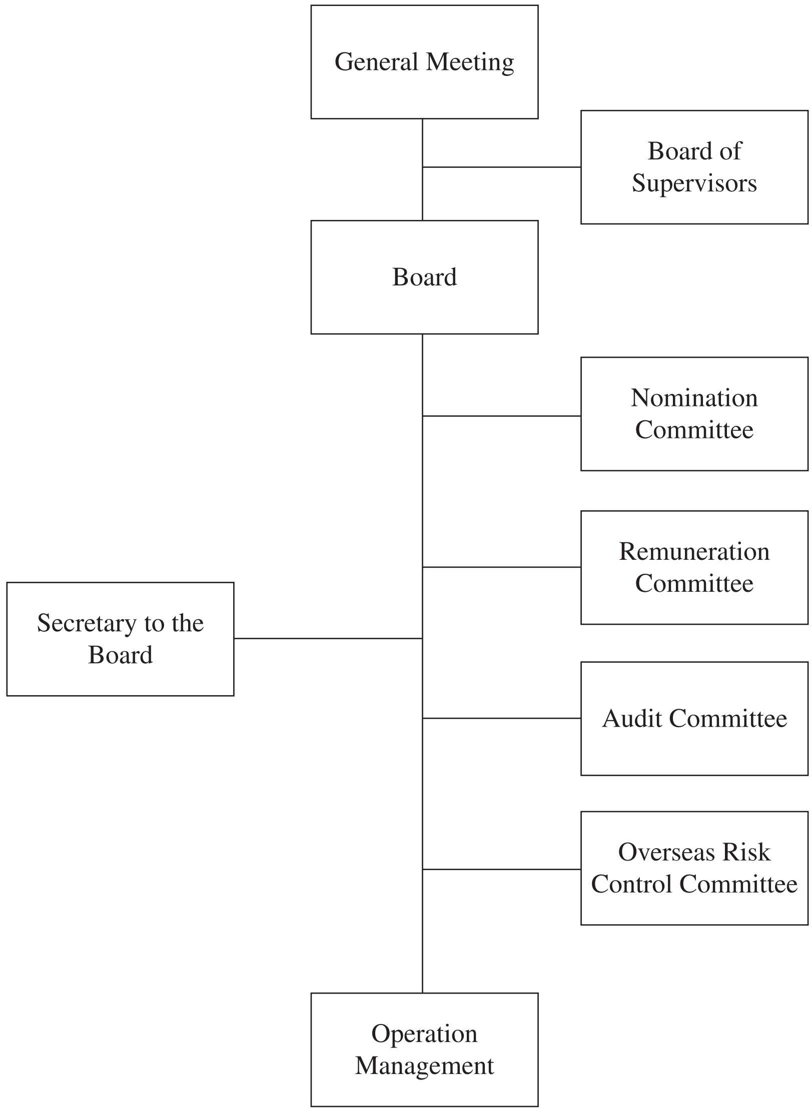
CORPORATE GOVERNANCE REPORT

The Company strictly complies with various applicable regulatory laws 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 25 proposals to the general meeting. 9 Board meetings were convened, including one Board meeting conducted by the chairman of the Board and the independent non-executive Directors, at which 47 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

The terms of office of the members of the second session of the Board of the Company expired on 14 August 2021. Therefore, in accordance with the Company Law and the Articles of Association, the election of Directors of the third session of the Board was held during the Reporting Period, and was considered and approved at the 2022 first extraordinary general meeting of the Company. The members of the second session of the Board shall continue to perform their duties prior to the third session of the Board taking office after election.

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	11 March 2022 to 10 March 2025
Mr. Li Guoqing	Executive Director, Deputy General Manager	11 March 2022 to 10 March 2025
Mr. Pei Hongwei	Non-executive Director, Chairman	11 March 2022 to 10 March 2025
Ms. Wu Donghui	Non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Ms. Shi Huaxin	Non-executive Director	11 March 2022 to 10 March 2025
Mr. Guan Jifa	Non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Mr. Ren Yuhang	Non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Mr. Peng Dongdong	Non-executive Director	11 March 2022 to 10 March 2025
Mr. Li Fei	Non-executive Director	11 March 2022 to 10 March 2025
Mr. Su Bin	Non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Mr. Wang Tao	Non-executive Director	11 March 2022 to 10 March 2025
Mr. Ren Chong	Non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Ms. Tang Qimeng	Non-executive Director	11 March 2022 to 10 March 2025
Mr. Wang Guofeng	Independent non-executive Director	11 March 2022 to 10 March 2025
Mr. Ma Xufei	Independent non-executive Director	11 March 2022 to 10 March 2025
Mr. Sun Maozhu	Independent non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Mr. Liang Qinghuai	Independent non-executive Director (retired on 11 March 2022)	15 August 2018 to 14 August 2021
Mr. Qin Guisheng	Independent non-executive Director	11 March 2022 to 10 March 2025
Mr. Xia Peng	Independent non-executive Director	11 March 2022 to 10 March 2025

Changes in the Board members during the period from 1 January 2022 to the date of this report are as follows:

At the 2022 first extraordinary general meeting held on 11 March 2022, Mr. Wang Hanjun and Mr. Li Guoqing were appointed as executive Directors, Mr. Pei Hongwei, Ms. Shi Huaxin, Mr. Peng Dongdong, Mr. Li Fei, Mr. Wang Tao and Ms. Tang Qimeng were appointed as non-executive Directors, and Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng were appointed as independent non-executive Directors. They were appointed as Directors of the third session of the Board, with a term for three years starting from 11 March 2022. Ms. Wu Donghui, Mr. Guan Jifa, Mr. Ren Yuhang, Mr. Su Bin, Mr. Ren Chong, Mr. Sun Maozhu and Mr. Liang Qinghuai resigned as Directors on the same day due to the re-election of the Board. Please refer to the announcement of the Company dated 11 March 2022 for details.

The Board elected Mr. Pei Hongwei as the chairman of the third session of the Board at the Board meeting held on 11 March 2022, with immediate effect.

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.

The Company recognises that Board independence is pivotal in good corporate governance and board effectiveness. The Board has effective mechanisms in place to ensure independent views and input from any Directors of the Company are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the mechanisms below are under annual review by the Board, through its Nomination Committee and Remuneration Committee, to ensure their effectiveness.

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 Board has achieved the measurable objectives during the Year.

The Company values gender diversity. As at the date of this report, female Directors represented 17% of the members of the Board of Directors (two female Directors out of 12 Directors).

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.

GENDER DIVERSITY

To strive for greater gender diversity, the Company further optimises programs and initiatives across the entire career lifecycle, from staff recruitment to staff development and retention. Such programs and initiatives include gender-inclusive recruitment and talent attraction policies, fully monitored promotion and succession planning, intensive in-house multicultural training, unconscious bias training and inclusion programs, the expansion of new forms of work such as shared or part-time leadership positions, including expectation on the size of each of the department in the future in terms of possible growth and contractions, possible scenarios for restructuring, changes in the number of positions for female in the department, and the possible barriers which may be encountered.

Employees' turnover of the Group

Employee category		Employees turnover rate
By gender	Male	5.1%
	Female	2.7%

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	✔	✔	✔
Ms. Wu Donghui (retired on 11 March 2022)	✔		
Ms. Shi Huaxin	✔	✔	✔
Mr. Guan Jifa (retired on 11 March 2022)	✔		
Mr. Ren Yuhang (retired on 11 March 2022)	✔		
Mr. Peng Dongdong (appointed on 11 March 2022)		✔	✔
Mr. Li Fei (appointed on 11 March 2022)		✔	✔
Mr. Su Bin (retired on 11 March 2022)	✔		
Mr. Wang Tao	✔	✔	✔
Mr. Ren Chong (retired on 11 March 2022)	✔		
Ms. Tang Qimeng (appointed on 11 March 2022)		✔	✔
Independent non-executive Directors			
Mr. Wang Guofeng	✔	✔	✔
Mr. Ma Xufei	✔	✔	✔
Mr. Sun Maozhu (retired on 11 March 2022)	✔		
Mr. Liang Qinghuai (retired on 11 March 2022)	✔		
Mr. Qin Guisheng	✔	✔	✔
Mr. Xia Peng (appointed on 11 March 2022)		✔	✔

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened two general meetings in total, and submitted 25 proposals to the general meeting. 9 Board meetings were convened, including one Board meeting conducted by the chairman of the Board and the independent non-executive Directors, at which 47 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	8	7	1
Mr. Li Guoqing	8	7	1
Mr. Pei Hongwei	9	8	1
Ms. Wu Donghui (retired on 11 March 2022)	1	1	0
Ms. Shi Huaxin	8	8	0
Mr. Guan Jifa (retired on 11 March 2022)	1	1	0
Mr. Ren Yuhang (retired on 11 March 2022)	1	0	1
Mr. Peng Dongdong (appointed on 11 March 2022)	7	6	1
Mr. Li Fei (appointed on 11 March 2022)	7	7	0
Mr. Su Bin (retired on 11 March 2022)	1	1	0
Mr. Wang Tao	8	6	2
Mr. Ren Chong (retired on 11 March 2022)	1	0	1
Ms. Tang Qimeng (appointed on 11 March 2022)	7	7	0
Mr. Wang Guofeng	9	9	0
Mr. Ma Xufei	9	8	1
Mr. Sun Maozhu (retired on 11 March 2022)	1	0	1
Mr. Liang Qinghuai (retired on 11 March 2022)	1	1	0
Mr. Qin Guisheng	9	9	0
Mr. Xia Peng (appointed on 11 March 2022)	8	8	0

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

- the convening of two general meetings and submission of 25 resolutions to the general meeting, including the audited consolidated financial statements for 2021 and its summary, the Report of the Board of Directors for 2021, the report of final financial accounts for 2021, the investment plans for 2022, the profits distribution plan and the dividend declaration proposal for 2021, the re-appointment of auditors for 2022 and the payment of the audit fee for 2021, 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 9 Board meetings and consideration and approval of 47 resolutions, including the completion of investments in 2021 and the investment plan for 2022, the interim results announcement and interim report of the Company for 2022, the nomination of directors for the third session of the Board of the Company, and the acquisition of the railway construction business of Beijing Uni.-Construction Group Co., Ltd.* (北京住總集團有限責任公司).

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 12 Directors, of which four 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. 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, including a bachelor's degree in engineering and construction, doctoral degrees in heat supply, gas supply, ventilation and air-conditioning engineer, master's degrees in transportation planning and management, economics, project management, business administration, international accounting and financial management (accounting), economics and laws, and a doctoral degree in management. Their ages are from 33 to 65, with two female members.

During the Year, the Nomination Committee held two meetings in total to consider and approve the resolutions on the nomination of Mr. Lu Weidong as the chief engineer of the Company, Ms. Qian Jiahong as a candidate for the chief architect of the Company and Mr. Yang Zhenyu as a candidate for the general counsel 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	2	2	0
Mr. Su Bin	Non-executive Director (retired on 11 March 2022)	0	0	0
Mr. Wang Guofeng	Independent non-executive Director	2	2	0
Mr. Liang Qinghuai	Independent non-executive Director (retired on 11 March 2022)	0	0	0
Mr. Qin Guisheng	Independent non-executive Director	2	2	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 (retired on 11 March 2022)	0	0	0
Mr. Ren Chong	Non-executive Director (retired on 11 March 2022)	0	0	0
Mr. Wang Tao	Non-executive Director	1	1	0
Mr. Ma Xufei	Independent non-executive Director	1	1	0
Mr. Sun Maozhu	Independent non-executive Director (retired on 11 March 2022)	0	0	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 2021 annual report, independence of external auditors, efficiency of internal control system, the result of review on 2022 interim report and the audit plan for 2023. 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 (retired on 11 March 2022) Independent non-executive Director	1	1	0
Mr. Xia Peng	Chairman of the Audit Committee (appointed on 11 March 2022) Independent non-executive Director	2	2	0
Mr. Ren Yuhang	Non-executive Director (retired on 11 March 2022)	1	0	1
Mr. Wang Tao	Non-executive Director (retired on 11 March 2022)	1	1	0
Mr. Liang Qinghuai	Independent non-executive Director (retired on 11 March 2022)	1	1	0
Mr. Peng Dongdong	Non-executive Director (appointed on 11 March 2022)	2	2	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 2022.

EXTERNAL AUDITORS

In 2022, the Company should pay RMB3.66 million to external auditors in relation to auditing services, which included the payments on auditing the annual financial report of 2022 and reviewing the interim financial report of 2022. Other non-audit services provided by the external auditors to the Company include tax consulting services and Environmental, Social and Governance Report. The remuneration paid by the Company in respect of such non-audit services amounted to approximately RMB217,000 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 2022, 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 2022, 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.

The Company updates its Risk Database in a timely manner. This is done by analyzing the risks inherent in the industry in which the Company operates, based on an understanding of leadership's risk appetite and risk tolerance. Prioritizing risks according to impact helps avoid risk exposure, and predictable risks are covered by internal control measures as much as possible.

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

Based on the Company's Internal Audit Operation Manual, the Company's Internal Audit Management Regulations and the Company's Internal Audit Management Measures, the Company's internal control system conforms to the principles stipulated in the existing internal audit independence and objectivity principles and the relevant operations systems, with an emphasis on enhancing cooperation and collaboration between the internal audit organization and other internal supervision forces, such as internal discipline, organization and personnel, and the supervisory board. The internal audit results and rectification should be regarded as an important basis for assessment, appointment, dismissal, reward and punishment and relevant decision-making, and play a genuine supervisory and control role in the Company's economic operation system:

- Overseeing the implementation of systems and plans to provide the basis for the organization's management decisions.
- Identifying weak areas of operation and management and assisting the organization in improving its self-control mechanisms.
- Improving economic efficiency by encouraging organizational units to improve work or production.
- Overseeing the fulfillment of the economic responsibilities entrusted to the organization in order to safeguard the legitimate economic interests of the organization.
- Monitoring and controlling the safety of property and promoting the preservation and appreciation of the organization's property and assets.
- Performing traditional audit confirmation business and evaluating the conformity and compliance of the Company's operations with the management system.
- Expanding the consulting business of auditing, implementing a top-to-bottom ethical atmosphere in the Company, and monitoring the Company's compliance with the requirements of professional ethics.

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 Measures for the Handling and Dissemination of Inside Information

The Company has established the Information Disclosure Management System which stipulates the procedures and internal control measures 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 and three Supervisors assumed by employee representatives, with a total of seven Supervisors. During the Year, the Board of Supervisors held three meeting in total and considered and approved three resolutions. 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 2022 to the date of this report are as follows:

At the 2022 first extraordinary general meeting held on 11 March 2022, Mr. Hu Shengjie, Ms. Nie Kun, Mr. Fang Binjia and Mr. Li Yan were appointed as the Supervisors of the third session of the Board of Supervisors, and comprised the third session of the Board of Supervisors together with Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, the employee representative Supervisors, with a term for three years starting from 11 March 2022. Mr. Liang Wangnan, Mr. Chen Rui and Mr. Zuo Chuanchang resigned as Supervisors on the same day due to the re-election of the Board of Supervisors. The Board of Supervisors elected Mr. Hu Shengjie as the chairman of the third session of the Board of Supervisors at the meeting of the Board of Supervisors held on 11 March 2022, with immediate effect. Please refer to the announcement of the Company dated 11 March 2022 for details.

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.

The Company has established mechanisms to ensure independent views and input are available to the Board, including without limitation by reviewing that the independent non-executive Directors have appropriate qualifications and expertise from time to time with sufficient time commitment to the Group, that the number of independent non-executive Directors is in line with the requirements of the Listing Rules, and that channels are established to assess and evaluate the independent non-executive Directors' contribution and views. The implementation and effectiveness of such mechanisms will be reviewed by the Board on an annual basis.

Company Secretary

Mr. Xuan Wenchang has independently served as the company secretary of the Company since 1 October 2020. In 2022, 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 2022, the Company convened one extraordinary general meeting and one annual general meeting in total, at which 25 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	2
Mr. Li Guoqing	2	2
Mr. Pei Hongwei	2	2
Ms. Wu Donghui (retired on 11 March 2022)	1	0
Ms. Shi Huaxin	2	1
Mr. Guan Jifa (retired on 11 March 2022)	1	0
Mr. Ren Yuhang (retired on 11 March 2022)	1	0
Mr. Peng Dongdong (appointed on 11 March 2022)	1	1
Mr. Li Fei (appointed on 11 March 2022)	1	1
Mr. Su Bin (retired on 11 March 2022)	1	0
Mr. Wang Tao	2	2
Mr. Ren Chong (retired on 11 March 2022)	1	0
Ms. Tang Qimeng (appointed on 11 March 2022)	1	1
Mr. Wang Guofeng	2	2
Mr. Ma Xufei	2	2
Mr. Sun Maozhu (retired on 11 March 2022)	1	0
Mr. Liang Qinghuai (retired on 11 March 2022)	1	0
Mr. Qin Guisheng	2	2
Mr. Xia Peng (appointed on 11 March 2022)	1	1

SHAREHOLDER COMMUNICATION POLICY

The provisions set out in the Shareholder Communication Policy are designed to ensure that shareholders of the Company, including individual and institutional shareholders (collectively, "**Shareholders**") and, where appropriate, the general investing public, have timely access to comprehensive, identical and understandable information about the Company (including its financial performance, strategic objectives and plans, significant developments, governance risks), so that, on the one hand, Shareholders can exercise their rights in an informed manner and, on the other hand, Shareholders and the investing public can enhance their communication with the Company.

For the purposes of the Shareholder Communications Policy, "investment public" includes potential investors of the Company and analysts who conduct reports and analyses on the performance of the Company.

The Board shall maintain an on-going dialogue with Shareholders and investment public, and will regularly review the Shareholder Communications Policy to ensure its effectiveness.

Information shall be communicated to Shareholders and investment public mainly through the Company's financial reports (interim and annual reports), announcements, circulars and other corporate publications available on the Company's website at www.bjucd.com and HKExnews's website at www.hkexnews.hk as well as the direct communication platform provided at the annual general meetings held each year and any other general meetings that may be convened as and when required.

Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times, by means not limited to investor hotlines, mailboxes and regular results announcements, presentations, etc.

Any question regarding the Shareholder Communications Policy shall be directed to company secretary of the Company.

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 2021 annual results and 2022 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, the Company received a letter from Beijing Jingguochuang Fund Management Co., Ltd. (北京京國創基金管理有限公司) on 24 January 2022, and its subsidiary Beijing Jingguochuang Advantage Industry Fund (Limited Partnership) (北京京國創優勢產業基金(有限合夥)) completed the acquisition of the 46,000,000 Domestic Shares of the Company held by the Company's domestic shareholder Tianjin Jun Rui Qi Equity Investment Partnership (LLP) (天津君睿祺股權投資合夥企業(有限合夥)) on 30 December 2021, and has completed the transfer registration with China Securities Depository and Clearing Corporation Limited. In accordance with the relevant provisions of the Company Law and other requirements, the Company made corresponding amendments to the Articles of Association after the approval of the Board and the general meeting of the Company. For details of the amendments, please refer to the announcements of the Company dated 22 February 2022 and 11 March 2022 and the circular of the Company dated 24 February 2022.

Donation

To demonstrate our social responsibility, the Company donated more than RMB100,000 for social welfare in 2022.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
Tel: +852 2846 9888
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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 101 to 228, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 2022, the trade receivables and contract assets of the Group amounted to RMB13,363 million, which represented 56% 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 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 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 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", note 23 "Contract assets" and note 24 "Trade and bills 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 had an unconditional contractual right under the service concession arrangement to receive a determinable amount of payments during the concession period, and reviewed the methods and assumptions in determining the future guaranteed receipts estimated. We involved our internal valuation specialist to assess the rate of construction gross margins and discount rate used. We tested the calculation of contract assets, trade 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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
24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**10,599,845**	10,258,579
Cost of sales	7	**(8,759,404)**	(8,384,592)
Gross profit		**1,840,441**	1,873,987
Other income and gains	5	**836,060**	499,815
Selling and distribution expenses		**(77,576)**	(75,560)
Administrative expenses		**(878,272)**	(855,063)
Impairment losses on financial assets and contract assets, net	7	**(242,789)**	(372,387)
Loss on derecognition of financial assets measured at amortised cost	7	**(347,118)**	–
Other expenses		**–**	(16,605)
Finance costs	6	**(320,405)**	(283,609)
Share of profits and losses of:			
Joint ventures		**189,992**	225,449
Associates		**27,549**	(2,221)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**1,027,882**	993,806
Income tax expense	9	**(117,114)**	(139,891)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**910,768**	853,915
DISCONTINUED OPERATION			
Profit for the year from the discontinued operation	10	**–**	49,132
PROFIT FOR THE YEAR		**910,768**	903,047
Profit attributable to:			
Owners of the parent	12	**972,251**	920,641
Non-controlling interests		**(61,483)**	(17,594)
		910,768	903,047
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	**0.72**	0.68
For profit from continuing operations	12	**0.72**	0.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000 (Restated)
PROFIT FOR THE YEAR		**910,768**	903,047
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		**(536)**	209
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		**(303)**	(2,956)
Remeasurement losses on defined benefit plans, net of tax	*30*	**(2,190)**	(2,240)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**(2,493)**	(5,196)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,029)**	(4,987)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**907,739**	898,060
Attributable to:			
Owners of the parent		**969,222**	915,654
Non-controlling interests		**(61,483)**	(17,594)
		907,739	898,060

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	981,666	963,379
Goodwill	14	5,741	5,741
Right-of-use assets	15(a)	533,248	527,685
Intangible assets	16	562,829	562,802
Investments in joint ventures	17	2,095,387	1,876,372
Investments in associates	18	631,714	183,593
Financial assets at fair value through profit or loss	19	433,794	427,602
Equity investments designated at fair value through other comprehensive income	20	15,121	21,666
Deferred tax assets	21	272,503	248,454
Contract assets	23	5,193,370	5,305,972
Prepayments, other receivables and other assets	25	229,177	306,654
Total non-current assets		10,954,550	10,429,920
CURRENT ASSETS			
Inventories	22	67,919	127,051
Trade and bills receivables	24	3,765,400	4,072,927
Prepayments, other receivables and other assets	25	442,373	882,633
Contract assets	23	4,432,454	3,878,895
Pledged deposits	26	41,052	41,547
Cash and bank balances	26	4,240,446	4,145,812
		12,989,644	13,148,865
Assets of a disposal group classified as held for sale	10	–	1,086,817
Total current assets		12,989,644	14,235,682
CURRENT LIABILITIES			
Trade and bills payables	27	5,359,491	4,458,983
Other payables and accruals	28	4,108,400	5,006,941
Interest-bearing bank and other borrowings	29	1,428,700	2,377,549
Provisions for supplementary retirement benefits	30	3,760	3,259
Tax payable		62,580	68,673
Provision	31	5,083	7,381
		10,968,014	11,922,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Liabilities directly associated with the assets classified as held for sale	10	–	997,504
Total current liabilities		10,968,014	12,920,290
NET CURRENT ASSETS		2,021,630	1,315,392
TOTAL ASSETS LESS CURRENT LIABILITIES		12,976,180	11,745,312
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	1,808	1,945
Interest-bearing bank and other borrowings	29	5,475,058	4,819,452
Provisions for supplementary retirement benefits	30	68,173	66,065
Other payables and accruals	28	380,474	406,529
Provision	31	53,219	36,208
Total non-current liabilities		5,978,732	5,330,199
Net assets		6,997,448	6,415,113
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	1,348,670	1,348,670
Reserves	33	5,448,867	4,799,761
		6,797,537	6,148,431
Non-controlling interests		199,911	266,682
Total equity		6,997,448	6,415,113

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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
As at 1 January 2022 (as previously reported)	1,348,670	737,540	1,948	2,219	461,555	502	3,533,045	6,085,479	266,682	6,352,161
Effect of business combination under common control	–	6,000	–	–	–	–	56,952	62,952	–	62,952
As at 1 January 2022 (as restated)	1,348,670	743,540	1,948	2,219	461,555	502	3,589,997	6,148,431	266,682	6,415,113
Profit for the year	–	–	–	–	–	–	972,251	972,251	(61,483)	910,768
Other comprehensive income for the year:										
Remeasurement losses on defined benefit plans, net of tax	–	(2,190)	–	–	–	–	–	(2,190)	–	(2,190)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(303)	–	–	–	–	(303)	–	(303)
Exchange differences on translation of foreign operations	–	–	–	–	–	(536)	–	(536)	–	(536)
Total comprehensive income for the year	–	(2,190)	(303)	–	–	(536)	972,251	969,222	(61,483)	907,739
Consideration for the business combination under common control	–	(89,015)	–	–	–	–	–	(89,015)	–	(89,015)
Capital contributions from a non-controlling shareholder	–	–	–	–	–	–	–	–	45,206	45,206
Disposal of a subsidiary	–	–	–	(2,219)	–	–	–	(2,219)	(38,524)	(40,743)
Final 2021 dividend declared	–	–	–	–	–	–	(226,442)	(226,442)	–	(226,442)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	(11,970)	(11,970)
Appropriation to statutory surplus reserve	–	–	–	–	93,894	–	(93,894)	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	(378)	–	–	–	378	–	–	–
Transfer to special reserve *(note (i))*	–	–	–	116,791	–	–	(116,791)	–	–	–
Utilisation of special reserve *(note (i))*	–	–	–	(116,791)	–	–	116,791	–	–	–
Others	–	1,891	–	–	–	–	(4,331)	(2,440)	–	(2,440)
At 31 December 2022	1,348,670	654,226*	1,267*	–*	555,449*	(34)*	4,237,959*	6,797,537	199,911	6,997,448

Continued/...

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022

	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 1 January 2021 (as previously reported)	1,348,670	739,780	5,288	–	384,319	293	2,971,760	5,450,110	297,963	5,748,073
Effect of business combination under common control	–	6,000	–	–	–	–	44,764	50,764	–	50,764
As at 1 January 2021 (as restated)	1,348,670	745,780	5,288	–	384,319	293	3,016,524	5,500,874	297,963	5,798,837
Profit for the year	–	–	–	–	–	–	920,641	920,641	(17,594)	903,047
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	920,641	915,654	(17,594)	898,060
Cancellation 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))*	–	–	–	103,129	–	–	(103,129)	–	–	–
Utilisation of special reserve *(note (i))*	–	–	–	(100,910)	–	–	100,910	–	–	–
Others	–	–	–	–	–	–	(56,626)	(56,626)	–	(56,626)
At 31 December 2021 (as restated)	1,348,670	743,540*	1,948*	2,219*	461,555*	502*	3,589,997*	6,148,431	266,682	6,415,113

* The reserve accounts comprise the consolidated reserves of RMB5,448,867,000 (31 December 2021: RMB4,799,761,000 (restated)) in the consolidated statement of financial position as at 31 December 2022.

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 2021 and 2022 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 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**1,027,882**	993,806
From the discontinued operation	*10*	**–**	50,136
Adjustments for:			
Finance costs		**320,405**	289,901
Foreign exchange differences, net		**(20,195)**	16,605
Interest income		**(440,847)**	(418,696)
Gain on disposal of equity investments at fair value through other comprehensive income		**–**	(1,318)
Gain on disposal of a subsidiary	*5*	**(156,939)**	–
Fair value gains of financial assets at fair value through profit or loss	*5*	**(6,192)**	(7,694)
Loss on derecognition of financial assets measured at amortised cost	*7*	**347,118**	–
Gain on derecognition of financial liabilities measured at amortised cost	*7*	**(141,860)**	–
Share of profits of associates and joint ventures		**(217,541)**	(223,228)
Depreciation of right-of-use assets	*15*	**123,306**	126,172
Depreciation of items of property, plant and equipment	*13*	**76,654**	90,937
Amortisation of intangible assets	*16*	**36,478**	17,014
Impairment of trade and bills receivables, net	*24*	**149,048**	292,230
Impairment of prepayments, other receivables, net	*25*	**1,265**	11,646
Impairment of contract assets, net	*23*	**92,476**	81,292
Provision for foreseeable losses on contracts, net	*7*	**2,621**	4,136
Gains on disposal of items of property, plant and equipment and right-of-use assets, net	*7*	**(3,561)**	(54,201)
Others		**(15,693)**	–
		1,174,425	1,268,738
Decrease in inventories		**59,132**	41,936
Increase in contract assets		**(453,103)**	(708,556)
Decrease/(Increase) in trade and bills receivables		**58,439**	(630,905)
Decrease/(Increase) in prepayments, other receivables and other assets		**269,986**	(317,603)
Decrease/(Increase) in pledged deposits		**495**	(3,053)
Increase in trade and bills payables		**987,273**	597,729
(Decrease)/Increase in other payables and accruals		**(910,012)**	269,254
Increase/(decrease) in provision		**12,092**	(23,531)
(Decrease)/Increase in provisions for supplementary retirement benefits		**(83)**	351
Cash flows from operations		**1,198,644**	494,360
Interest received		**98,099**	33,893
Income tax paid		**(147,300)**	(144,515)
Net cash flows from operating activities		**1,149,443**	383,738

Continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from an associate and a joint venture		11,622	–
Purchases of items of property, plant and equipment		(197,915)	(150,238)
Purchases of intangible assets		(6,344)	(131,272)
Purchases of financial assets at fair value through profit or loss		–	(145,908)
Disposal of a subsidiary	*35*	(102,327)	–
Addition of investments in associates and joint ventures		(239,145)	(130,029)
Addition of equity investments designated at fair value through other comprehensive income		–	(7,020)
Proceeds from disposal of items of property, plant and equipment and intangible assets		111	66,072
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		1,996	3,075
Dividends received from associates and joint ventures		3,761	460
Consideration for the business combination under common control	*34*	(89,015)	–
Repayment of loans from a joint venture and an associate		293,830	–
Withdrawal of an investment to a non-controlling shareholder		–	(5,012)
Loans provided to a joint venture	*39(a)*	–	(204,000)
Net cash flows used in investing activities		(323,426)	(703,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(314,097)	(265,987)
Dividend paid to shareholders		(246,407)	(229,572)
Dividend paid to non-controlling shareholders		(11,614)	(11,125)
Principal portion of lease payments		(128,409)	(122,364)
New bank and other borrowings		1,215,350	2,327,452
Repayment of bank and other borrowings		(1,368,192)	(680,689)
Net cash flows (used in)/ from financing activities		(853,369)	1,017,715
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(27,352)	697,581
Cash and cash equivalents at beginning of year		4,247,896	3,566,712
Effect of exchange rate changes on cash and cash equivalents		19,659	(16,397)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*26*	4,240,203	4,247,896

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 and incorporated in Beijing, the PRC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

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

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. ("北京城建勘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 Guancheng Technology Development Co., Ltd. ("北京冠城科技發展有限公司")	(i)	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 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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Rail Transit Energy Conservation Beijing Engineering Research Center Co., Ltd. ("軌道交通節能北京市工程研究中心有限公司")		The PRC/Mainland China 20 August 2015	RMB10,000,000	60%	–	Engineering services and development, consulting
Guizhou Jingjian Capital Construction Investment Co., Ltd. ("貴州京建投資建設有限公司")		The PRC/Mainland China 22 June 2016	RMB360,000,000	75%	–	Construction project investment, construction and operation maintenance
Yunnan Jingjian Capital Construction Investment Co., Ltd. ("雲南京建投資建設有限公司")		The PRC/Mainland China 28 July 2016	RMB386,980,000	90%	–	Construction project investment, construction and operation maintenance
Beijing Urban Infrastructure Construction Investment Management Co., Ltd. ("北京城建基礎設施投資管理有限公司")		The PRC/ Mainland China 19 May 2016	RMB100,000,000	100%	–	Investment management and consultancy services
Beijing Urban Construction Transportation Design and Research Institute Co., Ltd. ("北京城建交通設計研究院有限公司")	(ii)	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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name*	Note	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 & Development Group Guangzhou Construction Co., Ltd. ("北京城建設計發展集團廣州建設有限公司")		The PRC/Mainland China 22 November 2018	RMB10,000,000	100%	–	Construction contracting
Beijing Rail Transit Design and Research Institute Co., Ltd. ("北京市軌道交通設計研究院有限公司")		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")		The PRC/ Mainland China 26 September 2021	RMB10,000,000	100%	–	Technology development and consulting services
Beijing Institute of Residential Building Design&Research Co., Ltd. ("北京市住宅建築設計研究院有限公司")	(iii)	The PRC/Mainland China 20 August 1984	RMB40,000,000	100%	–	Architectural design

* 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 25 May 2022, Beijing Urban Construction Xingjie Commercial Operation Management Co., Ltd. changed its name to Beijing Guancheng Technology Development Co., Ltd..

(ii) On 6 December 2022, Beijing Urban Construction Design Research Institute Co., Ltd. changed its name to Beijing Urban Construction Transportation Design and Research Institute Co., Ltd..

(iii) On 22 February 2022, the Company entered into an equity transfer agreement with Beijing Uni.-Construction Group Co., Ltd. ("BUCC", a wholly-owned subsidiary of BUCG), and the Company agreed to acquire the entire equity interest of Beijing Institute of Residential Building Design & Research Co., Ltd. (the "Residential Institute", a wholly-owned subsidiary of BUCC). Further details of this acquisition are included in note 34.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

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

(c) Amendments to 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE 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 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* [2]
IFRS 17	*Insurance Contracts* [1]
Amendments to IFRS 17	*Insurance Contracts* [1, 4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information* [5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments") [2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments") [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies* [1]
Amendments to IAS 8	*Definition of Accounting Estimates* [1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 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.
5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17.

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 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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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

The Group has applied the initial recognition of a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and 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, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interest.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the ultimate controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the prior reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders and costs incurred in combining operations of the previously separate businesses and incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as expenses in the year in which they are incurred.

Acquisition method of accounting for non-common control combinations

The Group applies the acquisition method to account for non-common control business combinations. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Acquisition method of accounting for non-common control combinations (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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% to 3.2%
Machinery	4.8% to 19.4%
Production equipment	6.5% to 32.3%
Motor vehicles	7.9% to 19.4%
Measurement and experimental equipment	9.5% to 19.4%
Office equipment and others	9.5% to 31.7%
Decoration	20.0%
Leasehold improvements	5.0% 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 10 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	20.0% to 92.3%
Measurement and experimental equipment	50.0% to 92.3%
Land	2.0% to 50.0%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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 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 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 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 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. 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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.

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.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

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 in exchange 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 the fair value at the date at 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 the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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 by analysis by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- 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 asset. 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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 2022 was RMB5,741,000 (2021: 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	4,426,391	6,173,454	–	10,599,845
Intersegment sales	18,485	–	(18,485)	–
Total revenue	4,444,876	6,173,454	(18,485)	10,599,845
Segment results	967,155	(53,461)	(6,254)	907,440
Interest income	3,961	413,169	–	417,130
Finance costs	(45,752)	(274,653)	–	(320,405)
Profit of segments for the year	925,364	85,055	(6,254)	1,004,165
Income tax expense				(117,114)
Unallocated interest income				23,717
Profit for the year				910,768
Segment assets	8,692,030	14,367,303	(1,292,161)	21,767,172
Corporate and other unallocated assets				2,177,022
Total assets				23,944,194
Segment liabilities	7,181,825	10,943,896	(1,263,397)	16,862,324
Corporate and other unallocated liabilities				84,422
Total liabilities				16,946,746
Other segment information				
Share of profits and losses of:				
Joint ventures	189,992	–	–	189,992
Associates	27,549	–	–	27,549
Depreciation	177,840	22,120	–	199,960
Amortisation	9,138	27,340	–	36,478
Provision for				
– foreseeable losses on contracts	2,514	107	–	2,621
– impairment of trade and bills receivables, contract assets and other receivables, net	148,138	94,651	–	242,789
Investments in joint ventures	2,095,387	–	–	2,095,387
Investments in associates	631,714	–	–	631,714
Capital expenditure*	207,832	56,513	–	264,345

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021 (Restated)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	4,399,032	5,859,547	–	10,258,579
Intersegment sales	28,563	–	(28,563)	–
Revenue from continuing operations	4,427,595	5,859,547	(28,563)	10,258,579
Segment results	854,485	5,587	(1,250)	858,822
Interest income	2,349	398,957	–	401,306
Finance costs	(32,613)	(250,996)	–	(283,609)
Profit of segments for the year from continuing operations	824,221	153,548	(1,250)	976,519
Income tax expense				(139,891)
Unallocated interest income				17,287
Profit for the year from continuing operations				853,915
Segment assets	10,203,625	12,579,652	(1,421,545)	21,361,732
Corporate and other unallocated assets				2,217,053
Assets related to the discontinued operation				1,086,817
Total assets				24,665,602
Segment liabilities	8,136,266	10,315,959	(1,311,824)	17,140,401
Corporate and other unallocated liabilities				112,584
Liabilities related to the discontinued operation				997,504
Total liabilities				18,250,489
Other segment information				
Share of profits and losses of:				
Joint ventures	225,449	–	–	225,449
Associates	(2,221)	–	–	(2,221)
Depreciation	171,449	28,053	–	199,502
Amortisation	8,544	5,982	–	14,526
Provision for				
– foreseeable losses on contracts	3,940	196	–	4,136
– impairment of trade and bills receivables, contract assets and other receivables, net	150,689	221,698	–	372,387
Investments in joint ventures	1,876,372	–	–	1,876,372
Investments in associates	183,593	–	–	183,593
Capital expenditure				
– continuing operations	312,308	278,045	–	590,353
– discontinued operation				24,180

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
China	**10,575,503**	10,228,592
Other countries	**24,342**	29,987
	10,599,845	10,258,579

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

(b) Non-current assets

	31 December	31 December
	2022	2021
	RMB'000	RMB'000
		(Restated)
China	**10,216,774**	9,709,490

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2022, there were two (2021: one) customers of the Group from which the revenue accounted for over 10% of the Group's total revenue.

Year ended 31 December 2022

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	**437,810**	**1,942,304**	**2,380,114**
Customer B	**1,047**	**2,017,548**	**2,018,595**
	438,857	**3,959,852**	**4,398,709**

Year ended 31 December 2021 (Restated)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	462,802	1,915,732	2,378,534

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Revenue from contracts with customers	**10,578,131**	10,188,494
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	**17,283**	67,268
Other lease payments, including fixed payments	**4,431**	2,817
	21,714	70,085
	10,599,845	10,258,579

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Types of goods or services		
Design, survey and consultancy	**4,421,960**	4,396,215
Construction contracting and others	**6,156,171**	5,792,279
	10,578,131	10,188,494
Timing of revenue recognition		
Services transferred at a point in time	**117,445**	116,278
Services transferred over time	**10,460,686**	10,072,216
	10,578,131	10,188,494
Geographical markets		
China	**10,553,789**	10,158,507
Other countries	**24,342**	29,987
	10,578,131	10,188,494

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 2022

Segments	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,421,960	6,156,171	10,578,131
Intersegment sales	18,485	–	18,485
	4,440,445	6,156,171	10,596,616
Intersegment adjustments and eliminations	(18,485)	–	(18,485)
Total revenue from contracts with customers	4,421,960	6,156,171	10,578,131

For the year ended 31 December 2021 (Restated)

Segments	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,396,215	5,792,279	10,188,494
Intersegment sales	28,563	–	28,563
	4,424,778	5,792,279	10,217,057
Intersegment adjustments and eliminations	(28,563)	–	(28,563)
Total revenue from contracts with customers	4,396,215	5,792,279	10,188,494

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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	
	Notes	**2022** **RMB'000**	2021 RMB'000 (Restated)
Other income and gains			
Interest income	*7*	**440,847**	418,593
Gain on disposal of a subsidiary	*7*	**156,939**	–
Fair value gains of financial assets at fair value through profit or loss	*7*	**6,192**	7,694
Government grants	*7*	**11,543**	5,311
Additional tax deduction for input VAT		**31,045**	5,858
Foreign exchange gains		**20,195**	–
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	*7,(i)*	**3,561**	54,201
Gain on derecognition of financial liabilities measured at amortised cost	*7*	**141,860**	–
Others		**23,878**	8,158
		836,060	499,815

Note:

(i) In 2021, the Group disposed an item of property, plant and equipment with net carrying amount of RMB5,990,000 to BUCC, resulting in a gain on disposal of RMB51,275,000.

6. FINANCE COSTS

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

		Year ended 31 December	
		2022 **RMB'000**	2021 RMB'000 (Restated)
Interest on bank and other borrowings		**308,066**	267,618
Interest on lease liabilities	*15(c)*	**12,339**	15,991
		320,405	283,609

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Cost of design, survey and consultancy services		**3,145,633**	3,097,191
Cost of construction contracting services and others		**5,613,771**	5,287,401
Total cost of sales		**8,759,404**	8,384,592
Depreciation of property, plant and equipment	*(a)*	**76,654**	84,400
Depreciation of right-of-use assets	*(a)*	**123,306**	115,102
Amortisation of intangible assets		**36,478**	14,526
Total depreciation and amortisation		**236,438**	214,028
Research and development costs		**385,984**	355,681
Impairment of trade and bills receivables, net		**149,048**	281,219
Impairment of contract assets, net		**92,476**	77,847
Impairment of other receivables, net		**1,265**	13,321
Provision for foreseeable losses on contracts, net	*31*	**2,621**	4,136
Provision for warranty			
Additional provision	*31*	**21,216**	17,245
Reversals of unutilised provision	*31*	**–**	(43,612)
Lease payments not included in the measurement of lease liabilities	*(b)*	**396,236**	396,967
Auditor's remuneration		**3,662**	3,380
Employee benefit expenses	*(c)*		
(excluding directors' and supervisors' remuneration (note 8)):			
Wages, salaries and allowances		**1,641,024**	1,727,394
Retirement benefit costs			
– Defined contribution retirement schemes		**179,552**	165,966
– Defined benefit retirement schemes	*30(c)*	**3,820**	3,949
Total retirement benefit costs		**183,372**	169,915
Welfare and other expenses		**287,341**	296,328
Total employee benefit expenses		**2,111,737**	2,193,637
Fair value gains of financial assets at fair value through profit or loss	*5*	**(6,192)**	(7,694)
Interest income	*5*	**(440,847)**	(418,593)
Gain on disposal of a subsidiary	*5*	**(156,939)**	–
Government grants	*5*	**(11,543)**	(5,311)
Gains on disposal of items of property, plant and equipment and right-of-use assets, net	*5*	**(3,561)**	(54,201)
Loss on derecognition of financial assets measured at amortised cost	*(d)*	**347,118**	–
Gain on derecognition of financial liabilities measured at amortised cost	*5,(d)*	**(141,860)**	–
Foreign exchange differences, net		**(20,195)**	16,605

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

(a) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB99,429,000 (2021 (Restated): RMB96,304,000) was included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2022.

(b) Lease payments not included in the measurement of lease liabilities of approximately RMB388,917,000 (2021 (Restated): RMB385,985,000) were included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2022.

(c) Employee benefit expenses of approximately RMB1,576,128,000 (2021 (Restated): RMB1,609,150,000) were included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2022.

(d) A subsidiary of the Company ("the Subsidiary") entered into a service concession agreement in 2016, pursuant to which the Subsidiary is required to build, operate, and transfer a service concession asset ("PPP Project"). In August 2022, the Subsidiary and the counter party agreed to make amendments to certain terms of the service concession agreement, since then, the total contract amount has been revised and the operation period has been extended.

The Subsidiary recalculated the future cash flows ("consideration receivable") based on the amendments of the service concession agreement, and the difference of RMB347,118,000 between the carrying amount (net of original amount of financial assets and accumulated impairment losses) of the contract asset and trade receivable arising from the PPP Project and the consideration receivable was recognised as a loss on derecognition of financial assets measured at amortised cost in 2022.

In addition, in order to facilitate the development of the PPP Project, the Subsidiary signed a loan agreement in 2017, and the loan amount was secured by the right of future contract asset and trade receivable arising from the PPP Project. In September 2022, the loan agreement has also been revised and the loan term has been extended to match the changes in the service concession agreement.

The Subsidiary recalculated the future cash flows ("consideration payable") based on the amendments of the loan agreement, and the difference of RMB141,860,000 between the carrying amount of the loan and consideration payable was recognised as a gain on derecognition of financial liabilities measured at amortised cost in 2022.

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	
	2022	2021
	RMB'000	RMB'000
Fees	**586**	588
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,149**	1,128
– Performance-related bonuses	**2,765**	2,966
– Pension schemes	**438**	411
	4,938	5,093

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

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

Year ended 31 December 2022

	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)		–	312	801	96	1,209
Mr. Li Guoqing (李國慶)		–	312	801	96	1,209
		–	624	1,602	192	2,418
Non-executive directors						
Mr. Pei Hongwei (裴宏偉)		–	–	–	–	–
Ms. Wu Donghui (吳東慧)	*(i)*	–	–	–	–	–
Mr. Guan Jifa (關繼發)	*(ii)*	–	–	–	–	–
Mr. Ren Yuhang (任宇航)	*(iii)*	–	–	–	–	–
Mr. Su Bin (蘇斌)	*(iv)*	–	–	–	–	–
Mr. Wang Tao (汪濤)		–	–	–	–	–
Mr. Ren Chong (任崇)	*(v)*	–	–	–	–	–
Ms. Shi Huaxin (史樺鑫)		–	–	–	–	–
Mr. Peng Dongdong (彭冬東)	*(vi)*	–	–	–	–	–
Ms. Tang Qimeng (唐其夢)	*(vii)*	–	–	–	–	–
Mr. Li Fei (李飛)	*(viii)*	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Mr. Wang Guofeng (王國鋒)		134	–	–	–	134
Mr. Ma Xufei (馬旭飛)		134	–	–	–	134
Mr. Sun Maozhu (孫茂竹)	*(ix)*	33	–	–	–	33
Mr. Liang Qinghuai (梁青槐)	*(x)*	33	–	–	–	33
Mr. Qin Guisheng (覃桂生)		134	–	–	–	134
Mr. Xia Peng (夏鵬)	*(xi)*	100	–	–	–	100
		568	–	–	–	568
Supervisors						
Ms. Nie Kun (聶菎)		–	–	–	–	–
Mr. Chen Rui (陳瑞)	*(xii)*	–	–	–	–	–
Ms. Yang Huiju (楊卉菊)		–	193	327	90	610
Mr. Liu Hao (劉皓)		–	173	576	96	845
Mr. Ban Jianbo (班健波)		–	159	260	60	479
Mr. Hu Shengjie (胡聖傑)		–	–	–	–	–
Mr. Liang Wangnan (梁望南)	*(xiii)*	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)	*(xiv)*	18	–	–	–	18
Mr. Fang Binjia (方斌佳)	*(xv)*	–	–	–	–	–
Mr. Li Yan (李儼)	*(xvi)*	–	–	–	–	–
		18	525	1,163	246	1,952
		586	1,149	2,765	438	4,938

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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)	*(xvii)*	–	–	–	–	–
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)	*(xviii)*	–	–	–	–	–
		–	–	–	–	–
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)

Notes:

(i) Ms. Wu Donghui resigned as a Non-executive Director with effect from 11 March 2022.

(ii) Mr. Guan Jifa resigned as a Non-executive Director with effect from 11 March 2022.

(iii) Mr. Ren Yuhang resigned as a Non-executive Director with effect from 11 March 2022.

(iv) Mr. Su Bin resigned as a Non-executive Director with effect from 11 March 2022.

(v) Mr. Ren Chong resigned as a Non-executive Director with effect from 11 March 2022.

(vi) Mr. Peng Dongdong was appointed as a Non-executive Director with effect from 11 March 2022.

(vii) Ms. Tang Qimeng was appointed as a Non-executive Director with effect from 11 March 2022.

(viii) Mr. Li Fei was appointed as a Non-executive Director with effect from 11 March 2022.

(ix) Mr. Sun Maozhu resigned as an Independent non-executive director with effect from 11 March 2022.

(x) Mr. Liang Qinghuai resigned as an Independent non-executive director with effect from 11 March 2022.

(xi) Mr. Xia Peng was appointed as an Independent non-executive director with effect from 11 March 2022.

(xii) Mr. Chen Rui resigned as a Supervisor with effect from 11 March 2022.

(xiii) Mr. Liang Wangnan resigned as a Supervisor with effect from 11 March 2022.

(xiv) Mr. Zuo Chuanchang resigned as an Independent Supervisor with effect from 11 March 2022.

(xv) Mr. Fang Binjia was appointed as a Supervisor with effect from 11 March 2022.

(xvi) Mr. Li Yan was appointed as a Supervisor with effect from 11 March 2022.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

(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 2022 and 2021 is as follows:

	Year ended 31 December	
	2022	2021
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	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,363**	1,171
Performance-related bonuses	**9,510**	9,728
Pension schemes	**460**	436
	11,333	11,335

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	
	2022	2021
HK$2,000,001 to HK$2,500,000 (Equivalent to RMB1,786,541 to RMB2,233,175)	**3**	1
HK$2,500,001 to HK$3,000,000 (Equivalent to RMB2,233,176 to RMB2,679,810)	**1**	3
HK$3,000,001 to HK$3,500,000 (Equivalent to RMB2,679,811 to RMB3,126,445)	**1**	1

During the years ended 31 December 2022 and 2021, 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 2022 and 2021 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 2022 and 2021.

		Year ended 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000 (Restated)
Current income tax – Mainland China		**141,257**	162,869
Deferred income tax	*21*	**(24,143)**	(22,978)
Total tax charge for the year from continuing operations		**117,114**	139,891
Total tax charge for the year from the discontinued operation	*10*	**–**	1,004
		117,114	140,895

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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 2022 and 2021 is as follows:

		Year ended 31 December	
		2022	2021
	Note	**RMB'000**	RMB'000
			(Restated)
Profit before tax from continuing operations		**1,027,882**	993,806
Profit before tax from the discontinued operation	*10*	**–**	50,136
		1,027,882	1,043,942
Income tax at the statutory income tax rate		**256,971**	260,986
Effect of different income tax rate for some entities		**(74,311)**	(71,063)
Tax effect of share of profits and losses of joint ventures and associates		**(54,385)**	(55,807)
Additional tax deduction for research and development expenditure		**(36,549)**	(42,298)
Expenses not deductible for tax purposes		**8,514**	6,474
Adjustments in respect of current tax of previous periods		**(2,954)**	2,581
Tax losses utilised from previous periods		**(2,583)**	(3,430)
Effect of not recognised temporary differences		**22,411**	42,026
Tax losses not recognised		**–**	1,426
Tax charge for the year at the effective rate		**117,114**	140,895
Tax charge from continuing operations at the effective rate		**117,114**	139,891
Tax charge from the discontinued operation at the effective rate		**–**	1,004

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. 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 BUCZT for the year are presented below:

	Note	2021 RMB'000
REVENUE		986,639
Cost of sales		(737,415)
Gross profit		249,224
Other income and gains		379
Selling and distribution expenses		(27,377)
Administrative expenses		(153,015)
Impairment losses on financial and contract assets, net		(12,781)
Other expenses		(2)
Finance costs		(6,292)
Profit before tax from the discontinued operation		50,136
Income tax expense	*9*	(1,004)
Profit for the year from the discontinued operation		49,132

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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, accruals and tax payable		**(175,875)**
Interest-bearing bank and other borrowings		**(138,245)**
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
Operating activities	(58,722)
Investing activities	(29,640)
Financing activities	67,435
Net cash inflow	(20,927)
Earnings per share:	
Basic and diluted from the discontinued operation (expressed in RMB per share)	0.04

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

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

	Year ended 31 December 2021 '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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

11. DIVIDENDS

The dividends during the years ended 31 December 2022 and 2021 are set out below:

		Year ended 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000
Declared:			
Final dividend – RMB0.1679 (2020: RMB0.1568) per ordinary share	*(i)*	**226,442**	211,471
Proposed:			
Final dividend – RMB0.1898 (2021: RMB0.1679) per ordinary share	*(ii)*	**255,978**	226,442

Notes:

(i) At the annual general meeting held on 27 May 2022, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2021 of RMB0.1679 per share, which amounted to RMB226,442,000 and was settled before December 2022.

(ii) On 24 March 2023, the board of directors proposed the payment of a final dividend of RMB0.1898 per ordinary share in respect of the year ended 31 December 2022, 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	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Earnings:		
Profit attributable to ordinary equity holders of the parent		
From continuing operations	**972,251**	871,509
From the discontinued operation	**–**	49,132
	972,251	920,641

	Year ended 31 December	
	2022	2021
	'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 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

	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	Decoration RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2022 (Restated):									
Cost	504,126	629,750	38,926	51,838	144,704	134,708	–	178,037	1,682,089
Accumulated depreciation	(43,507)	(347,376)	(14,979)	(35,401)	(68,309)	(83,023)	–	(126,115)	(718,710)
Net carrying amount	460,619	282,374	23,947	16,437	76,395	51,685	–	51,922	963,379
At 1 January 2022, net of accumulated depreciation (Restated)	460,619	282,374	23,947	16,437	76,395	51,685	–	51,922	963,379
Additions	–	–	1,918	2,846	20,068	43,499	387	26,816	95,534
Transfer	(14,288)	–	–	–	–	–	14,288	–	–
Disposals	–	–	–	(345)	–	(248)	–	–	(593)
Depreciation provided during the year	(11,645)	(6,411)	(3,438)	(3,985)	(12,796)	(18,123)	(2,935)	(17,321)	(76,654)
At 31 December 2022, net of accumulated depreciation	434,686	275,963	22,427	14,953	83,667	76,813	11,740	61,417	981,666
At 31 December 2022:									
Cost	489,838	629,750	40,844	51,352	164,772	172,315	14,675	204,853	1,768,399
Accumulated depreciation	(55,152)	(353,787)	(18,417)	(36,399)	(81,105)	(95,502)	(2,935)	(143,436)	(786,733)
Net carrying amount	434,686	275,963	22,427	14,953	83,667	76,813	11,740	61,417	981,666

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2021 (Restated)

	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 (Restated):									
Cost	508,790	657,612	27,549	53,997	128,596	128,314	150,817	4,040	1,659,715
Accumulated depreciation	(40,513)	(373,587)	(12,239)	(33,391)	(56,142)	(76,023)	(104,255)	–	(696,150)
Net carrying amount	468,277	284,025	15,310	20,606	72,454	52,291	46,562	4,040	963,565
At 1 January 2021, net of accumulated depreciation (Restated)	468,277	284,025	15,310	20,606	72,454	52,291	46,562	4,040	963,565
Additions	10,679	11,748	8,169	1,215	41,194	22,719	49,977	6,803	152,504
Assets included in the discontinued operation *(note 10)*	–	–	–	–	(26,739)	(6,853)	(14,141)	(5,014)	(52,747)
Transfer	–	–	3,566	–	2,008	255	–	(5,829)	–
Disposals	(6,476)	(1,436)	(17)	(985)	(25)	(67)	–	–	(9,006)
Depreciation provided during the year	(11,861)	(11,963)	(3,081)	(4,399)	(12,497)	(16,660)	(30,476)	–	(90,937)
At 31 December 2021, net of accumulated depreciation (Restated)	460,619	282,374	23,947	16,437	76,395	51,685	51,922	–	963,379
At 31 December 2021 (Restated):									
Cost	504,126	629,750	38,926	51,838	144,704	134,708	178,037	–	1,682,089
Accumulated depreciation	(43,507)	(347,376)	(14,979)	(35,401)	(68,309)	(83,023)	(126,115)	–	(718,710)
Net carrying amount	460,619	282,374	23,947	16,437	76,395	51,685	51,922	–	963,379

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 RMB352,618,000 as at 31 December 2022 (2021: RMB384,490,000). 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 2022.

14. GOODWILL

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost and net carrying amount at beginning and 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 11% (2021: 12%). The growth rate used to extrapolate the cash flow of Rail Transit Institute beyond the five-year period is 3% (2021: 2%).

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 2022 and 2021. 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 from 2 years to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 13 months and 13 years, while motor vehicles generally have lease terms between 13 months and 3 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:

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Measurement and experimental equipment RMB'000	Total RMB'000
As at 1 January 2022 (Restated)	**210,866**	**313,026**	**2,559**	**1,234**	**527,685**
Additions	**15,746**	**114,435**	**2,125**	**–**	**132,306**
Disposal	**(1,577)**	**(1,013)**	**–**	**(847)**	**(3,437)**
Depreciation charge	**(9,184)**	**(111,853)**	**(2,039)**	**(230)**	**(123,306)**
As at 31 December 2022	**215,851**	**314,595**	**2,645**	**157**	**533,248**

	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 (Restated)		216,018	237,444	4,531	–	457,993
Additions		–	285,605	2,551	2,060	290,216
Assets included in the discontinued operation	*10*	–	(38,142)	–	–	(38,142)
Disposal		–	(55,961)	(249)	–	(56,210)
Depreciation charge		(5,152)	(115,920)	(4,274)	(826)	(126,172)
As at 31 December 2021(Restated)		210,866	313,026	2,559	1,234	527,685

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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:

	Note	2022 RMB'000	2021 RMB'000 (Restated)
Carrying amount at 1 January		316,627	236,382
New leases		132,306	290,216
Assets included in the discontinued operation		–	(43,111)
Disposal		(7,189)	(60,487)
Accretion of interest recognised	6	12,339	15,991
Payments		(136,538)	(122,364)
Carrying amount at 31 December		317,545	316,627
Portion classified as current liabilities		(105,349)	(104,916)
Non-current portion		212,196	211,711

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2022 RMB'000	2021 RMB'000 (Restated)
Interest on lease liabilities	12,339	15,991
Depreciation of right-of-use assets	123,306	126,172
Expense relating to short-term leases and other leases	15,367	28,333
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	380,869	374,226
Total amount recognised in profit or loss	531,881	544,722

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 RMB21,714,000 (2021 (Restated): RMB70,085,000), details of which are included in note 5 to the financial statements.

At 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within one year	**4,716**	4,716

16. INTANGIBLE ASSETS

31 December 2022

	Note	**Purchased software RMB'000**	**Operating concession RMB'000**	**Backlog RMB'000**	**Total RMB'000**
At 1 January 2022(Restated):					
Cost		**48,957**	**543,011**	**21,000**	**612,968**
Accumulated amortisation for the year		**(35,787)**	**(5,979)**	**(8,400)**	**(50,166)**
Net carrying amount		**13,170**	**537,032**	**12,600**	**562,802**
Cost at beginning of the year, net of accumulated amortisation		**13,170**	**537,032**	**12,600**	**562,802**
Additions		**5,945**	**30,560**	**–**	**36,505**
Amortisation provided during the year	*7*	**(5,127)**	**(27,151)**	**(4,200)**	**(36,478)**
At 31 December 2022		**13,988**	**540,441**	**8,400**	**562,829**
At 31 December 2022:					
Cost		**54,902**	**573,571**	**21,000**	**649,473**
Accumulated amortisation for the year		**(40,914)**	**(33,130)**	**(12,600)**	**(86,644)**
Net carrying amount		**13,988**	**540,441**	**8,400**	**562,829**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

16. INTANGIBLE ASSETS (CONTINUED)

31 December 2021 (Restated)

	Notes	Purchased software RMB'000	Operating concession RMB'000	Backlog RMB'000	Total RMB'000
At 1 January 2021 (Restated):					
Cost		43,746	380,063	21,000	444,809
Accumulated amortisation for the year		(31,460)	–	(4,200)	(35,660)
Net carrying amount		12,286	380,063	16,800	409,149
Cost at beginning of the year, net of accumulated amortisation		12,286	380,063	16,800	409,149
Additions		8,865	162,948	–	171,813
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		(6,835)	(5,979)	(4,200)	(17,014)
At 31 December 2021 (Restated)		13,170	537,032	12,600	562,802
At 31 December 2021 (Restated):					
Cost		48,957	543,011	21,000	612,968
Accumulated amortisation for the year		(35,787)	(5,979)	(8,400)	(50,166)
Net carrying amount		13,170	537,032	12,600	562,802

As at 31 December 2022, the Group's intangible assets of RMB540,441,000 (2021: RMB537,032,000) were pledged to secure certain of the Group's bank loans amounting to RMB5,090,234,000 (2021: RMB5,302,309,000) (note 29).

17. INVESTMENTS IN JOINT VENTURES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Share of net assets	**2,095,387**	1,876,372

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	
	2022 RMB'000	2021 RMB'000
Non-current assets	**4,713,220**	4,455,172
Current assets	**3,076,100**	2,505,578
Total assets	**7,789,320**	6,960,750
Current liabilities	**1,455,506**	1,238,827
Non-current liabilities	**3,818,403**	3,443,288
Total liabilities	**5,273,909**	4,682,115
Net assets	**2,515,411**	2,278,635
Profit for the year	**197,586**	250,098
Proportion of the Group's ownership	**78.28%**	78.28%
Carrying amount of the investment	**2,038,181**	1,828,890

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	
	2022	2021
	RMB'000	RMB'000
Share of the joint ventures' profit/(loss) for the year	**9,724**	(3,039)
Share of the joint ventures' other comprehensive income	**–**	–
Share of the joint ventures' total comprehensive income/(loss)	**9,724**	(3,039)
Aggregate carrying amount of the Group's investments in the joint ventures	**57,206**	47,482

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2022 and 2021.

18. INVESTMENTS IN ASSOCIATES

	31 December 2022	31 December 2021
	RMB'000	RMB'000
Share of net assets	**631,714**	183,593

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	
	2022	2021
	RMB'000	RMB'000
Share of the associates' profit/(loss) for the year	**27,549**	(2,221)
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**27,549**	(2,221)

	31 December 2022	31 December 2021
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**631,714**	183,593

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
	RMB'000	RMB'000 (Restated)
Unlisted equity investment, at fair value – non current		
Shaoxing Jingyue Metro Co., Ltd. ("紹興京越地鐵有限公司")	**425,000**	419,000
Beijing Jiuzhou first rail Environmental Technology Co., Ltd. ("北京九州一軌環境科技股份有限公司")	**8,794**	8,602
	433,794	427,602

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 comparative figures of Beijing Jiuzhou first rail Environmental Technology Co., Ltd have been restated.

The Group provided design, survey and consultancy services to Shaoxing Jingyue Metro Co., Ltd. amounting to RMB19,648,000 (2021: RMB31,189,000) for the year ended 31 December 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
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**	3,500
Zhongdixin Geographic Information Equity Investment Fund Limited. (“中地信地理信息股權投資基金”)	**4,600**	7,000
Zhongshan Deep Water Environmental Water Co., Ltd. (“中山市深水環境水務有限公司”)	**1**	1
Beijing Uni.-Construction Vanke Industrial Technology Co., Ltd. (“北京住總萬科建築工業化科技股份有限公司”)	**–**	4,145
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**	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**	7,000
	15,121	21,666

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 2022 and 2021 are as follows:

	Note	2022 RMB'000	2021 RMB'000 (Restated)
Deferred tax assets:			
At beginning of the year		262,190	242,330
Disposal of a subsidiary		(13,736)	–
Deferred tax credited to profit or loss during the year			
– Included in continuing operations	9	24,049	9,328
– Included in the discontinued operation		–	10,532
At end of the year		272,503	262,190
Deferred tax liabilities:			
At beginning of the year		1,945	16,476
Deferred tax credited to profit or loss included in continuing operations	9	(94)	(13,650)
Deferred tax credited to other comprehensive income included in continuing operations		(43)	(881)
At end of the year		1,808	1,945

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 2022 RMB'000**	31 December 2021 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position		**272,503**	262,190
Net deferred tax assets included in the disposal group	*10*	**–**	(13,736)
Net deferred tax assets in respect of continuing operations		**272,503**	248,454
Net deferred tax liabilities recognised in the consolidated statement of financial position		**1,808**	1,945

The Group has tax losses not recognised for deferred tax arising in Hong Kong of HK$9,772,000 (2021: HK$10,805,000) equivalent to RMB8,393,000 (2021: RMB8,969,000) 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 RMB98,461,000 (2021: RMB101,605,000) 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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Raw materials	**66,954**	113,031
Spare parts and consumables	**965**	14,020
	67,919	127,051

23. CONTRACT ASSETS

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Contract assets arising from:			
Design, survey and consultancy services		**2,894,167**	2,698,615
Construction contracting services		**6,981,617**	6,697,153
		9,875,784	9,395,768
Impairment		**(249,960)**	(210,901)
		9,625,824	9,184,867
Portion classified as non-current contract assets	*(i)*	**(5,193,370)**	(5,305,972)
Current portion		**4,432,454**	3,878,895

Note:

(i) The non-current portion of contract assets mainly represented the contract assets arising from service concession arrangements and retention money as at 31 December 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

23. CONTRACT ASSETS (CONTINUED)

As at 31 December 2022 and 2021, the amounts of retentions held by customers for contract works included in contract assets were approximately as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Amounts of retentions in contract assets	**129,321**	20,507

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

During the year ended 31 December 2022, RMB249,960,000 (2021 (Restated): RMB210,901,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24.

The expected timing of recovery or settlement for contract assets as at 31 December 2022 and 2021 are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Within one year	**4,432,454**	3,878,895
After one year	**5,193,370**	5,305,972
Total contract assets	**9,625,824**	9,184,867

23. CONTRACT ASSETS (CONTINUED)

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

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
At beginning of the year	**210,901**	137,624
Impairment losses recognised	**124,621**	81,679
Impairment losses reversed	**(32,145)**	(387)
Impairment losses written off	**(53,417)**	–
Impairment losses included in the discontinued operation	**–**	(8,015)
At end of the year	**249,960**	210,901

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.

Details of the written off in impairment losses of contract assets are disclosed in note 7(d) to the financial statements.

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

	31 December 2022	31 December 2021 (Restated)
Expected credit loss rate	**2.53%**	2.24%
Gross carrying amount (RMB'000)	**9,875,784**	9,395,768
Expected credit losses (RMB'000)	**249,960**	210,901

As at 31 December 2022, the Group's contract assets of RMB5,826,554,000 (2021: RMB6,262,047,000) were pledged to secure certain of the Group's bank loans amounting to RMB5,090,234,000 (31 December 2021: RMB5,302,309,000) (note 29).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

23. CONTRACT ASSETS (CONTINUED)

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

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Associates	410,036	1,454
Beneficial Shareholders and their affiliates	344,615	271,849
BUCG	38,313	48,578
Fellow subsidiaries	35,426	30,351
Associates of BUCG	1,466	1,798
A joint venture of BUCG	994	380
Joint ventures	533	581
A non-controlling shareholder	76	–
	831,459	354,991

* 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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Trade receivables	4,613,596	5,014,966
Bills receivable	29,740	75,575
	4,643,336	5,090,541
Impairment	(877,936)	(1,017,614)
	3,765,400	4,072,927

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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Within 6 months	**1,616,254**	1,368,504
6 months to 1 year	**374,560**	759,228
1 to 2 years	**762,184**	1,023,349
2 to 3 years	**519,104**	449,629
3 to 4 years	**291,520**	356,613
4 to 5 years	**190,024**	109,052
Over 5 years	**11,754**	6,552
	3,765,400	4,072,927

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

	2022 RMB'000	2021 RMB'000 (Restated)
At beginning of the year	**1,017,614**	767,354
Impairment losses recognised	**172,176**	304,556
Impairment losses reversed	**(23,128)**	(12,326)
Impairment losses written off	**(288,726)**	–
Impairment losses included in the discontinued operation	**–**	(41,970)
At end of the year	**877,936**	1,017,614

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

Details of the written off in impairment losses of trade receivables are disclosed in note 7(d) to the financial statements.

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 2022

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	33.69%	217,694	73,342
Collectively impaired			
Within 6 months	0.57%	1,626,897	9,259
6 months to 1 year	4.09%	389,080	15,904
1 to 2 years	8.98%	743,928	66,802
2 to 3 years	16.65%	553,689	92,213
3 to 4 years	28.34%	406,783	115,264
4 to 5 years	50.02%	376,867	188,509
5 to 6 years	90.00%	117,545	105,790
Over 6 years	100.00%	210,853	210,853
	18.18%	4,425,642	804,594
Total	18.91%	4,643,336	877,936

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2021(Restated)

	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	0.56%	1,316,923	7,359
6 months to 1 year	3.96%	617,055	24,411
1 to 2 years	9.17%	1,126,625	103,277
2 to 3 years	16.57%	538,923	89,293
3 to 4 years	30.03%	506,309	152,066
4 to 5 years	50.02%	218,204	109,152
5 to 6 years	90.00%	64,428	57,985
Over 6 years	100.00%	200,007	200,007
	16.20%	4,588,474	743,550
Total	19.99%	5,090,541	1,017,614

The amounts due from the Beneficial Shareholders and their affiliates, associates, BUCG and other related parties included in the trade receivables are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Beneficial Shareholders and their affiliates	**613,924**	645,494
Associates	**161,722**	454
BUCG	**86,222**	155,216
Fellow subsidiaries	**62,164**	85,045
Joint ventures	**12,858**	120,125
Associates of BUCG	**2,507**	2,411
	939,397	1,008,745

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 RMB154,645,000 of 31 December 2022 (31 December 2021: RMB224,882,000) which were pledged to secure certain of the Group's bank loans amounting to RMB5,090,234,000 (31 December 2021: RMB5,302,309,000) (note 29).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000 (Restated)
Deductible value-added tax		**203,460**	437,552
Prepayments		**286,565**	271,569
Deposits and other receivables		**218,158**	515,534
		708,183	1,224,655
Impairment		**(36,633)**	(35,368)
		671,550	1,189,287
Portion classified as non-current assets	*(i)*	**(229,177)**	(306,654)
Current portion		**442,373**	882,633

Note:

(i) The non-current portion of deposits and other receivables mainly represents deductible value-added tax at 31 December 2022 and 2021.

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

	2022 RMB'000	2021 RMB'000 (Restated)
At beginning of the year	**35,368**	25,405
Impairment losses recognised	**8,609**	17,777
Impairment losses reversed	**(7,344)**	(6,131)
Impairment losses written off	**–**	(500)
Impairment losses included in the discontinued operation	**–**	(1,183)
At end of the year	**36,633**	35,368

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

As at 31 December 2022 and 2021, 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 2022 and 2021 were as follows:

	31 December 2022	31 December 2021 (Restated)
Expected credit loss rate	**16.79%**	6.86%
Gross carrying amount (RMB'000)	**218,158**	515,534
Expected credit losses (RMB'000)	**36,633**	35,368

The amounts due from associates of BUCG, Beneficial Shareholders and their affiliates, fellow subsidiaries and other related parties included in the prepayments, other receivables and other assets are as follows:

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000 (Restated)
Associates of BUCG		**1,053**	8,206
Beneficial Shareholders and their affiliates		**269**	269
Fellow subsidiaries		**50**	120,037
A non-controlling shareholder		**20**	–
Joint ventures	*(i)*	**–**	210,492
An associate		**–**	297
BUCG		**–**	2,064
		1,392	341,365

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 nil as at 31 December 2022 (31 December 2021: RMB204 million), which was unsecured, interest bearing at 4.785% per annum.

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 2022

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Cash and bank balances		**4,221,255**	4,187,116
Time deposits		**60,243**	243
		4,281,498	4,187,359
Less: Pledged bank balances for bidding guarantees and performance guarantees		**(41,052)**	(41,547)
Cash and bank balances in the consolidated statement of financial position		**4,240,446**	4,145,812
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		**4,240,203**	4,247,896
Cash and bank balances and time deposits denominated in:			
– RMB		**4,027,443**	3,955,592
– Other currencies		**254,055**	231,767
		4,281,498	4,187,359

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

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

27. TRADE AND BILLS PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Trade payables	**5,309,491**	4,406,539
Bills payable	**50,000**	52,444
	5,359,491	4,458,983

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

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Within 6 months	**2,731,051**	1,710,768
6 months to 1 year	**455,330**	839,349
1 to 2 years	**1,034,351**	752,835
2 to 3 years	**346,721**	379,120
Over 3 years	**792,038**	776,911
	5,359,491	4,458,983

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

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

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Associates of BUCG	**155,072**	214,994
Fellow subsidiaries	**88,213**	95,762
Beneficial Shareholders and their affiliates	**30,798**	70,981
An associate	**23,962**	–
Joint ventures	**15,542**	9,592
BUCG	**15,205**	11,833
A non-controlling shareholder	**7,728**	4,506
	336,520	407,668

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

28. OTHER PAYABLES AND ACCRUALS

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Contract liabilities	*(i)*	**2,905,534**	3,436,988
Accrued salaries, wages and benefits		**434,483**	476,481
Other taxes payable		**779,895**	867,028
Retention payables		**121,922**	200,527
Dividend payables		**20,034**	41,966
Deferred revenue		**11,926**	17,661
Other payables		**215,080**	372,819
		4,488,874	5,413,470
Portion classified as non-current liabilities	*(ii)*	**(380,474)**	(406,529)
Current portion		**4,108,400**	5,006,941

Notes:

(i) Contract liabilities include short-term advances received from customers and amounts due to contract customers. The change in contract liabilities in 2022 and 2021 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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Short-term advances received from customers:		
Design, survey and consultancy services	**482,057**	564,063
Construction services	**170,820**	293,352
	652,877	857,415
Amounts due to contract customers:	**1,923,205**	2,015,085
Design, survey and consultancy services	**329,452**	564,488
Construction services	**2,252,657**	2,579,573
Total contract liabilities	**2,905,534**	3,436,988

(ii) The non-current portion mainly represented output value-added tax and government grants at 31 December 2022 and 2021.

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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Beneficial Shareholders and their affiliates	**465,653**	671,112
Fellow subsidiaries	**74,594**	126,792
Associates of BUCG	**45,304**	68,012
BUCG	**41,552**	58,965
Associates	**2,990**	28,329
A joint venture	**3,616**	60,347
A non-controlling shareholder	**291**	–
	634,000	1,013,557

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021(Restated)		
Non-current						
Long term bank loans:						
– Secured *(i)*	3.00%-5.11%	2024-2045	4,507,521	4.42%-5.11%	2023-2045	3,748,000
– Unsecured and Unguaranteed	1.81%	2025	15,600	–	–	–
Long term other borrowings:						
– Unsecured and Unguaranteed	3.53%-4.90%	2024-2026	739,741	3.53%-4.90%	2023-2026	859,741
Lease liabilities *(note 15(b))*	4.75%-4.90%	2024-2032	212,196	4.75%-4.90%	2023-2032	211,711
			5,475,058			4,819,452
Current						
Current portion of long term bank loans						
– Secured *(i)*	3.00%-5.11%	2023	187,122	4.42%-5.11%	2022	1,554,309
Short term bank loans:						
– Secured (i)	4.90%	2023	395,591	–	–	–
– Guaranteed (ii)	–	–	–	3.85%-3.95%	2022	13,804
– Unsecured and Unguaranteed	3.50%-4.235%	2023	119,749	3.915%-4.235%	2022	99,388
Current portion of lease liabilities *(note 15(b))*	4.75%-4.90%	2023	105,349	4.75%-4.90%	2022	104,916
Current portion of long term other borrowings:						
– Unsecured and Unguaranteed	2.95%-4.90%	2023	620,889	2.95%-3.98%	2022	605,132
			1,428,700			2,377,549
			6,903,758			7,197,001
Denominated in:						
– RMB			6,903,758			7,197,001

Notes:

(i) The bank loans of RMB5,090,234,000 (31 December 2021: RMB5,302,309,000) were secured by the right of future contract assets, trade receivables and intangible assets for certain service concession arrangements.

(ii) The bank loans of RMB13,804,000 as at 31 December 2021 were guaranteed by BUCC.

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

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2022 and 2021 is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year	702,462	1,667,501
In the second year	238,500	236,500
In the third to fifth years, inclusive	1,872,100	1,577,000
Over five years	2,412,521	1,934,500
	5,225,583	5,415,501
Other borrowings repayable:		
Within one year	620,889	605,132
In the second year	100,000	120,000
In the third to fifth years, inclusive	639,741	739,741
	1,360,630	1,464,873
Lease liabilities repayable:		
Within one year	105,349	104,916
In the second year	74,093	75,843
In the third to fifth years, inclusive	92,399	98,608
Over five years	45,704	37,260
	317,545	316,627
	6,903,758	7,197,001

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
A non-controlling shareholder	262,471	262,471

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 2022; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2022; 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 2022 and 2021 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅諮詢公司), using the projected unit credit actuarial valuation method.

The components of net benefit expenses recognised in profit or loss and the amounts recognised in the statement of financial position are recognised below:

(a) The provisions for supplementary retirement benefits recognised in the statement of financial position are shown as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
At end of the year	**71,933**	69,324
Portion classified as current liabilities	**(3,760)**	(3,259)
Non-current portion	**68,173**	66,065

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

	2022 RMB'000	2021 RMB'000
At beginning of the year	**69,324**	67,075
Interest costs on benefit obligations	**2,190**	2,290
Current service costs	**1,630**	1,520
Past service costs	**–**	139
Benefits paid during the year	**(3,401)**	(3,940)
Remeasurement losses recognised in other comprehensive income	**2,190**	2,240
At end of the year	**71,933**	69,324

30. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

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

The details of remeasurement losses recognised in other comprehensive income of the Group during the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Actuarial changes arising from changes in financial assumptions	**2,390**	(2,630)
Liability experience adjustments	**(200)**	4,870
Re-measurement losses recognised in other comprehensive income	**2,190**	2,240

(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	
	2022	2021
	RMB'000	RMB'000
Interest costs on benefit obligations	**2,190**	2,290
Current service costs	**1,630**	1,520
Past service costs	**–**	139
	3,820	3,949

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Discount rates	**3.00%**	3.25%

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%**	6.00%
– 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 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Average life expectancy	**44.2 years**	44.1 years

30. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at 31 December 2022 and 2021 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 2022				
Discount rate	**0.25**	**(2,460)**	**(0.25)**	**2,620**
Future medical expense	**0.25**	**530**	**(0.25)**	**(500)**
As at 31 December 2021				
Discount rate	0.25	(2,290)	(0.25)	2,430
Future medical expense	0.25	550	(0.25)	(530)

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 2022 and 2021.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

31. PROVISION(CONTINUED)

As at 31 December 2022 and 2021, 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 2022		
	Provision for warranty RMB'000	**Provision for foreseeable losses on contracts RMB'000**	**Total RMB'000**
At beginning of the year	**33,992**	**9,597**	**43,589**
Additional provision	**21,216**	**2,621**	**23,837**
Amounts utilised during the year	**(4,765)**	**(4,359)**	**(9,124)**
At end of the year	**50,443**	**7,859**	**58,302**
Portion classified as current liabilities	**–**	**(5,083)**	**(5,083)**
Non-current portion	**50,443**	**2,776**	**53,219**

	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

32. SHARE CAPITAL

Shares

	31 December 2022 '000	31 December 2021 '000
Registered, issued and fully paid:		
1,348,670,000 (2021: 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 2022 and 2021 are presented in the consolidated statement of changes in equity.

34. BUSINESS COMBINATIONS

(i) Residential Institute

On 22 February 2022, the Company entered into an equity transfer agreement with BUCC, pursuant to which the Company will acquire the entire equity interest of Residential Institute at a cash consideration of RMB69,769,600. Residential Institute is engaged in the architectural design business providing comprehensive design consulting services ranging from industry planning, planning and design, architectural design, project management to operation and maintenance management. The acquisition was made as part of the Group's strategy to expand its market share of architectural design.

The Business Combination was completed on 23 March 2022. Upon the completion of the acquisition, the Company held 100% of equity interests in Residential Institute, the Company then obtained control over Residential Institute.

Since the Company and Residential Institute are ultimately controlled by BUCG both before and after the above acquisition, the acquisition of Residential Institute is regarded as business combination involving enterprises under common control. The Group accounts for the combination applying the pooling of interest method, which means the assets and liabilities of Residential Institute are consolidated by the Group using the existing book values from the controlling parties' perspective. The comparative figures of this consolidated financial information have been restated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

34. BUSINESS COMBINATION (CONTINUED)

(i) Residential Institute (continued)

The book values of Residential Institute's assets and liabilities as at 23 March 2022 were as follows:

	Book value as at the date of acquisition RMB'000
Property, plant and equipment	9,448
Right-of-use assets	17,278
Intangible assets	3,615
Deferred tax assets	530
Inventories	3,605
Trade and bills receivables	75,498
Prepayments, other receivables and other assets	94,075
Contract assets	55,217
Cash and bank balances	50,507
Trade and bills payables	(54,308)
Other payables and accruals	(160,754)
Interest-bearing bank and other borrowings	(30,798)
Tax payable	(20)
Total identifiable net assets at carrying amounts	63,893

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

	RMB'000
Cash consideration	(69,770)
Cash and bank balances acquired	50,507
Net outflow of cash and cash equivalents in respect of the acquisition	(19,263)

34. BUSINESS COMBINATION (CONTINUED)

(ii) Asset Group Portfolio

On 26 October 2022, the Company entered into an asset transfer agreement with BUCC in relation to the acquisition of all assets and related creditor's rights and debts of the rail transit construction contracting department of BUCC (the "Asset Group Portfolio") at a cash consideration of RMB19,244,700. The Asset Group Portfolio includes an input and a substantive process that together significantly contribute to the ability to create outputs, so the Group determines that it has acquired a business.

The Business Combination was completed on 7 December 2022. Since the Company and the Asset Group Portfolio are ultimately controlled by BUCG both before and after the above acquisition, the acquisition of the Asset Group Portfolio is regarded as business combination under common control. The Group accounts for the combination applying the pooling of interest method, which means the assets and liabilities of Asset Group Portfolio are consolidated by the Group using the existing book values from the controlling parties' perspective. The comparative figures of this consolidated financial information have been restated.

The book values of Asset Group Portfolio's assets and liabilities as at 7 December 2022 were as follows:

	Book value as at the date of acquisition RMB'000
Property, plant and equipment	119,573
Right-of-use assets	530
Intangible assets	128
Inventories	36,729
Trade and bills receivables	36,057
Prepayments, other receivables and other assets	22,348
Contract assets	65,095
Cash and bank balances	80,694
Trade and bills payables	(108,303)
Other payables and accruals	(252,408)
Interest-bearing bank and other borrowings	(443)
Total identifiable net assets at carrying amounts	–

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

	RMB'000
Cash consideration	(19,245)
Cash and bank balances acquired	80,694
Net inflow of cash and cash equivalents in respect of the acquisition	61,449

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

35. DISPOSAL OF A SUBSIDIARY

On 10 November 2021, the Company announced the decision of its board of directors to dispose of Beijing Urban Construction Zhikong Technology Co., Ltd. ("BUCZT") by entering a capital increase agreement with BUCG and its affiliate, Beijing Chengke Yunchuang Enterprise Management Partnership (Limited Partnership) as well as other parties. As at 31 December 2022, the disposal of BUCZT was completed and BUCG became a controlling shareholder of BUCZT. The articles of association of BUCZT were revised accordingly upon the completion of the disposal. Therefore, the Group's equity interests decreased from 60% to approximately 30.83%, and the Group lost its control over BUCZT. Upon the completion of such disposal, BUCZT was accounted as an investment in an associate in the consolidated statement of financial position of the Group.

The net assets of BUCZT disposed of as at 4 January 2022, the date of disposal, were as follows:

	Note	As at the date of disposal RMB'000
Property, plant and equipment		53,572
Right-of-use assets		38,142
Intangible assets		1,146
Deferred tax assets		12,073
Contract assets		210,764
Prepayments, other receivables and other assets		136,007
Inventories		44,457
Trade and bills receivables		624,671
Pledged deposits		1,016
Cash and bank balances		102,327
Trade and bills payables		(675,839)
Other payables, accruals and tax payable		(304,721)
Interest-bearing bank and other borrowings		(138,245)
Provision		(9,060)
Total identifiable net assets at carrying amounts		96,310
Non-controlling interests		(38,524)
Net assets attributable to the parent company		57,786
Investment in an associate		(214,725)
Gain on disposal of a subsidiary	*5*	156,939
Satisfied by cash		–

35. DISPOSAL OF A SUBSIDIARY (CONTINUED)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(102,327)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(102,327)

36. 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 RMB132,306,000 (2021 (Restated): RMB290,216,000) and RMB132,306,000 (2021 (Restated): RMB290,216,000), 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 2022 (Restated)		6,880,374	316,627	41,966	–
Changes from financing cash flows		(152,842)	(128,409)	(258,021)	(314,097)
New leases		–	132,306	–	–
Cancellation of leases		–	(7,189)	–	–
Interest expense		–	12,339	–	314,638
Final 2021 dividend declared		–	–	226,442	–
Dividend declared to non-controlling share holders		–	–	11,970	–
Reclassification		541	–	–	(541)
Derecognition of bank loans	*7(d)*	(141,860)	–	–	–
Others		–	(8,129)	(2,323)	–
At 31 December 2022		6,586,213	317,545	20,034	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

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

	Note	Bank loans and other borrowings RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2021 (Restated)		5,300,455	236,382	8,117	–
Changes from financing cash flows		1,646,763	(122,364)	(240,697)	(265,987)
New leases		–	290,216	–	–
Cancellation of leases		–	(60,487)	–	–
Interest expense		–	15,991	–	294,277
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	–
Reclassification		28,290	–	–	(28,290)
Dividends declared to shareholders by entity before common control combination occurs		–	–	54,400	–
At 31 December 2021 (Restated)		6,880,374	316,627	41,966	–

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000 (Restated)
Within operating activities	**(396,236)**	(397,116)
Within financing activities	**(128,409)**	(122,364)
	(524,645)	(519,480)

37. 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.

38. COMMITMENTS

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted, but not provided for:		
Equity investments	**1,580,591**	2,836,570
Property, plant and equipment	**481,169**	7,310
	2,061,760	2,843,880

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000 (Restated)
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	**465,450**	496,851
Fellow subsidiaries	**69,418**	61,223
BUCG	**50,991**	95,280
Associates of BUCG	**20,117**	15,627
Associates	**9,959**	250
Joint ventures of BUCG	**1,952**	1,927
Joint ventures	**1,547**	2,746
A non-controlling shareholder	**76**	–
	619,510	673,904
Construction contracting services provided to:		
An associate	**2,017,547**	451,754
Beneficial Shareholders and their affiliates	**1,942,304**	1,967,763
BUCG	**117,503**	111,334
A joint venture	**76,918**	310,059
Fellow subsidiaries	**63,012**	114,811
An associate of BUCG	**137**	–
	4,217,421	2,955,721

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2022 and 2021: (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Construction contracting services provided by:		
Associates of BUCG	**101,417**	169,726
Fellow subsidiaries	**84,774**	398,914
A non-controlling shareholder	**2,956**	5,051
Beneficial Shareholders and their affiliates	**2,752**	37,479
BUCG	**–**	8,680
An associate	**–**	154
	191,899	620,004
Design, survey and consultancy services provided by:		
Associates	**14,852**	12,506
A Joint venture	**10,207**	6,004
Fellow subsidiaries	**3,634**	222
Beneficial Shareholders and their affiliates	**46**	236
	28,739	18,968

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2022 and 2021: (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	**21,840**	12,404
BUCG	**5,629**	5,526
A beneficial shareholder	**2,305**	2,420
	29,774	20,350
Rental income from:		
Fellow subsidiaries	**4,716**	4,716
Finance costs paid or payable to:		
A non-controlling shareholder	**12,642**	15,638
Loans provided to:		
A joint venture	**–**	204,000
Interest income received or receivable from:		
An associate	**4,700**	–
A joint venture	**8,739**	7,196
	13,439	7,196

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

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2022 and 2021: (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 2022 and 2021, 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.

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2022 and 2021: (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	
		2022	2021
	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)	*(i)*	**–**	750
Ms. Cheng Yan (成硯)		**–**	350
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. Xu Chengyong (徐成永)		**660**	660
Mr. Xia Xiujiang (夏秀江)		**620**	620
Mr. Yin Zhiguo (尹志國)		**620**	620
Mr. Lu Weidong (魯衛東)	*(ii)*	**550**	–
		7,610	8,160

Notes:

(i) Mr. Yang Xiuren resigned as a key management of the Company in August 2022.

(ii) Mr. Lu Weidong was appointed as a key management of the Company in August 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

39. 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	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	**464,129**	494,377
Fellow subsidiaries	**69,418**	61,223
BUCG	**50,991**	95,280
Associates of BUCG	**7,327**	11,800
Joint ventures of BUCG	**1,952**	1,927
	593,817	664,607
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	**1,942,304**	1,967,763
BUCG	**117,503**	111,334
Fellow subsidiaries	**63,012**	114,811
	2,122,819	2,193,908
Construction contracting services provided by:		
Fellow subsidiaries	**84,774**	398,914
Beneficial Shareholders and their affiliates	**2,752**	35,416
BUCG	**–**	8,680
	87,526	443,010
Design, survey and consultancy services provided by:		
Fellow subsidiaries	**3,634**	222
Beneficial Shareholders and their affiliates	**46**	236
	3,680	458
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	**21,840**	12,404
BUCG	**5,629**	5,526
Beneficial shareholders	**2,305**	2,420
	29,774	20,350

39. 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 to the financial statements.

(d) Compensation of key management personnel of the Group

Further details of the directors' and the supervisors' emoluments are included in note 8 to the financial statements.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Short term employee benefits	**9,856**	10,854
Pension scheme	**1,020**	957
	10,876	11,811

(e) Commitments with related parties

As at 31 December 2022, 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 Beneficial Shareholders and their affiliates, fellow subsidiaries, BUCG and a joint venture, the Company was engaged in the building of certain subways and the backlog as at 31 December 2022 amounting to RMB5,574 million (31 December 2021 (Restated): RMB6,343 million).

Pursuant to certain design service contracts signed by the Company and certain Beneficial Shareholders and their affiliates, fellow subsidiaries, associates of BUCG, BUCG and a joint venture, 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 2022 amounting to RMB1,194 million (31 December 2021 (Restated): RMB1,800 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 2022 amounting to RMB159 million (31 December 2021: RMB227 million).

Pursuant to certain design service contracts signed by the Company and fellow subsidiaries, associates and certain Beneficial Shareholders and their affiliates, the Company was engaged in the purchase of design, survey and consultancy services, and the backlog as at 31 December 2022 amounting to RMB4 million (31 December 2021: RMB9 million).

40. 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 2022 RMB'000
Financial assets	
Financial assets at fair value through profit or loss :	
Financial assets at fair value through profit or loss	**433,794**
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	**15,121**
Financial assets at amortised cost:	
Trade and bills receivables	**3,765,400**
Financial assets included in prepayments, other receivables and other assets	**181,525**
Pledged deposits	**41,052**
Cash and bank balances	**4,240,446**
	8,677,338
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	**6,903,758**
Trade and bills payables	**5,359,491**
Financial liabilities included in other payables and accruals	**357,036**
	12,620,285

	31 December 2021 RMB'000 (Restated)
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	21,666
Financial assets at amortised cost:	
Trade and bills receivables	4,072,927
Financial assets included in prepayments, other receivables and other assets	480,166
Pledged deposits	41,547
Cash and bank balances	4,145,812
	9,189,720
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	7,197,001
Trade and bills payables	4,458,983
Financial liabilities included in other payables and accruals	615,312
	12,271,296

41. 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
Financial assets				
Financial assets at fair value through profit or loss	**433,794**	427,602	**433,794**	427,602
Equity investments designated at fair value through other comprehensive income	**15,121**	21,666	**15,121**	21,666
Financial assets included in prepayments, other receivables and other assets, non-current portion	**16,358**	22,708	**18,977**	22,469
	465,273	471,976	**467,892**	471,737
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	**5,262,862**	4,607,741	**5,079,239**	4,474,596
Financial liabilities included in other payables and accruals, non-current portion	**11,057**	7,576	**11,057**	7,574
	5,273,919	4,615,317	**5,090,296**	4,482,170

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.

41. 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 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 2022 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.

41. 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 2022

	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	–	–	433,794	433,794
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	15,121	15,121
	–	–	448,915	448,915

31 December 2021 (Restated)

	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	–	–	21,666	21,666
	–	–	449,268	449,268

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

31 December 2022

	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	–	18,977	–	18,977

31 December 2021 (Restated)

	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	–	22,469	–	22,469

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

31 December 2022

	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)	–	5,079,239	–	5,079,239
Financial liabilities included in other payables and accruals, non-current portion	–	11,057	–	11,057
	–	5,090,296	–	5,090,296

31 December 2021 (Restated)

	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

42. 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	
		2022 RMB'000	2021 RMB'000
Market interest rates	1%	(44,923)	(41,893)
Market interest rates	(1%)	44,923	41,893

42. 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 2022 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	
		2022	2021
		RMB'000	RMB'000
If RMB weakens against the United States dollar	5%	**14,491**	13,752
If RMB strengthens against the United States dollar	(5%)	**(14,491)**	(13,752)
If RMB weakens against the Hong Kong dollar	5%	**54**	2
If RMB strengthens against the Hong Kong dollar	(5%)	**(54)**	(2)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and has applied the exposure to foreign currency risk to bank deposits denominated in United States dollars and Hong Kong dollars in existence at that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

42. 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 2022

	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	–	–	–	9,875,784	9,875,784
Trade and bills receivables*	–	–	–	4,643,336	4,643,336
Financial assets included in prepayments, other receivables and other assets					
– Normal**	185,479	21,005	11,674	–	218,158
Pledged deposits					
– Not yet past due	41,052	–	–	–	41,052
Cash and bank balances					
– Not yet past due	4,240,446	–	–	–	4,240,446
	4,466,977	21,005	11,674	14,519,120	19,018,776

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021 (Restated)

	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	–	–	–	9,395,768	9,395,768
Trade and bills receivables*	–	–	–	5,090,541	5,090,541
Financial assets included in prepayments, other receivables and other assets					
– Normal**	479,019	26,609	9,906	–	515,534
Pledged deposits					
– Not yet past due	41,547	–	–	–	41,547
Cash and bank balances					
– Not yet past due	4,145,812	–	–	–	4,145,812
	4,666,378	26,609	9,906	14,486,309	19,189,202

* For contract assets and trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 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 2022, the financial assets classified to stage 3 of lifetime ECLs are other receivables with a gross carrying amount of approximately RMB11,674,000 (2021 (Restated): RMB9,906,000). As the financial assets were fully impaired, the net carrying amount is nil.

As the Group's major customers are either PRC government agencies at the national, provincial and local levels or other State-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2022			
Interest-bearing bank and other borrowings	**1,428,700**	**5,475,058**	**6,903,758**
Interest payments on bank and other borrowings	**289,232**	**2,364,874**	**2,654,106**
Trade and bills payables	**5,359,491**	**–**	**5,359,491**
Financial liabilities included in other payables and accruals	**346,354**	**12,353**	**358,707**
	7,423,777	**7,852,285**	**15,276,062**
31 December 2021 (Restated)			
Interest-bearing bank and other borrowings	2,377,549	4,819,452	7,197,001
Interest payments on bank and other borrowings	294,323	1,788,639	2,082,962
Trade and bills payables	4,458,983	–	4,458,983
Financial liabilities included in other payables and accruals	607,908	8,311	616,219
	7,738,763	6,616,402	14,355,165

42. 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 2022 and 2021.

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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
Interest-bearing bank and other borrowings	**6,903,758**	7,197,001
Trade and bills payables	**5,359,491**	4,458,983
Financial liabilities included in other payables and accruals	**357,036**	615,312
Cash and bank balances	**(4,240,446)**	(4,145,812)
Pledged deposits	**(41,052)**	(41,547)
Net debt	**8,338,787**	8,083,937
Total equity	**6,997,448**	6,415,113
Capital and net debt	**15,336,235**	14,499,050
Gearing ratio	**54%**	56%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

43. EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 11 to the financial statements, the directors proposed on 24 March 2023 a final dividend of RMB0.1898 per share in respect of the year ended 31 December 2022. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

44. COMPARATIVE AMOUNTS

As stated in note 34, the comparative figures have been restated to reflect the effects of the business combination under common control and certain comparatives figures have been reclassified to conform with the current year's presentation.

45. 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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**691,002**	667,600
Right-of-use assets	**432,578**	426,782
Intangible assets	**4,435**	3,821
Investments in subsidiaries	**2,160,838**	2,096,945
Investments in joint ventures	**1,595,575**	1,566,552
Investments in associates	**512,985**	169,541
Equity investments designated at fair value through other comprehensive income	**10,511**	10,511
Deferred tax assets	**150,731**	136,085
Prepayments, other receivables and other assets	**88,525**	17,410
Total non-current assets	**5,647,180**	5,095,247

45. 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 2022 RMB'000	31 December 2021 RMB'000 (Restated)
CURRENT ASSETS		
Inventories	31,559	80,299
Trade and bills receivables	2,146,791	2,532,345
Prepayments, other receivables and other assets	660,495	1,021,165
Contract assets	2,906,098	1,930,472
Pledged deposits	14,050	14,236
Cash and bank balances	2,457,906	2,673,232
Assets of a disposal group classified as held for sale	–	18,000
Total current assets	8,216,899	8,269,749
CURRENT LIABILITIES		
Trade and bills payables	3,454,524	3,011,771
Other payables and accruals	3,869,344	4,329,739
Interest-bearing bank and other borrowings	61,992	63,041
Provisions for supplementary retirement benefits	3,020	2,519
Tax payable	41,028	33,096
Provision	4,442	7,111
Total current liabilities	7,434,350	7,447,277
NET CURRENT ASSETS	782,549	822,472
TOTAL ASSETS LESS CURRENT LIABILITIES	6,429,729	5,917,719
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	673,227	648,837
Provisions for supplementary retirement benefits	50,822	49,794
Other payables and accruals	11,405	14,947
Total non-current liabilities	735,454	713,578
Net assets	5,694,275	5,204,141
EQUITY		
Share capital	1,348,670	1,348,670
Reserves *(note)*	4,345,605	3,855,471
Total equity	5,694,275	5,204,141

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

Note:

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

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2021 (as restated)	731,526	384,319	–	2,402,675	3,518,520
Profit for the year	–	–	–	552,539	552,539
Other comprehensive income	(1,890)	–	–	–	(1,890)
Total comprehensive income for the year	(1,890)	–	–	552,539	550,649
Final 2020 dividend declared	–	–	–	(211,471)	(211,471)
Appropriation to statutory surplus reserve	–	77,236	–	(77,236)	–
Transfer to special reserve	–	–	51,678	(51,678)	–
Utilisation of special reserve	–	–	(51,678)	51,678	–
Others	–	–	–	(2,227)	(2,227)
As at 31 December 2021 (as restated)	729,636	461,555	–	2,664,280	3,855,471
Profit for the year	**–**	**–**	**–**	**723,511**	**723,511**
Other comprehensive income	**(1,740)**	**–**	**–**	**–**	**(1,740)**
Total comprehensive income for the year	**(1,740)**	**–**	**–**	**723,511**	**721,771**
Effect of business combination under common control	**(25,122)**	**–**	**–**	**–**	**(25,122)**
Loss of control of a subsidiary due to capital increase	**722**	**–**	**–**	**19,205**	**19,927**
Final 2021 dividend declared	**–**	**–**	**–**	**(226,442)**	**(226,442)**
Appropriation to statutory surplus reserve	**–**	**93,894**	**–**	**(93,894)**	**–**
Transfer to special reserve	**–**	**–**	**70,302**	**(70,302)**	**–**
Utilisation of special reserve	**–**	**–**	**(70,302)**	**70,302**	**–**
At 31 December 2022	**703,496**	**555,449**	**–**	**3,086,660**	**4,345,605**

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.