京投軌道交通科技控股有限公司
BII Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1522

2022
ANNUAL REPORT

NAVIGATING
2025

Sustainable Development

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Liu Yu *(Chief Executive Officer)*

Non-Executive Directors

Mr. Guan Jifa *(Chairman)*
Ms. Sun Fang
Mr. Cao Mingda
Ms. Hou Weiwei

Independent Non-Executive Directors

Mr. Luo Zhenbang *(CPA)*
Mr. Huang Lixin
Mr. Li Wei

AUTHORISED REPRESENTATIVES PURSUANT TO RULE 3.05 OF THE LISTING RULES

Mr. Liu Yu
Ms. Cheung Yuet Fan

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUDIT COMMITTEE

Mr. Luo Zhenbang *(CPA) (Chairman)*
Mr. Huang Lixin
Mr. Li Wei

REMUNERATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. Guan Jifa
Mr. Huang Lixin

NOMINATION COMMITTEE

Mr. Guan Jifa *(Chairman)*
Mr. Huang Lixin
Mr. Li Wei

ESG COMMITTEE

Mr. Guan Jifa *(Chairman)*
Mr. Liu Yu
Mr. Luo Zhenbang *(CPA)*

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chaoyang District, Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

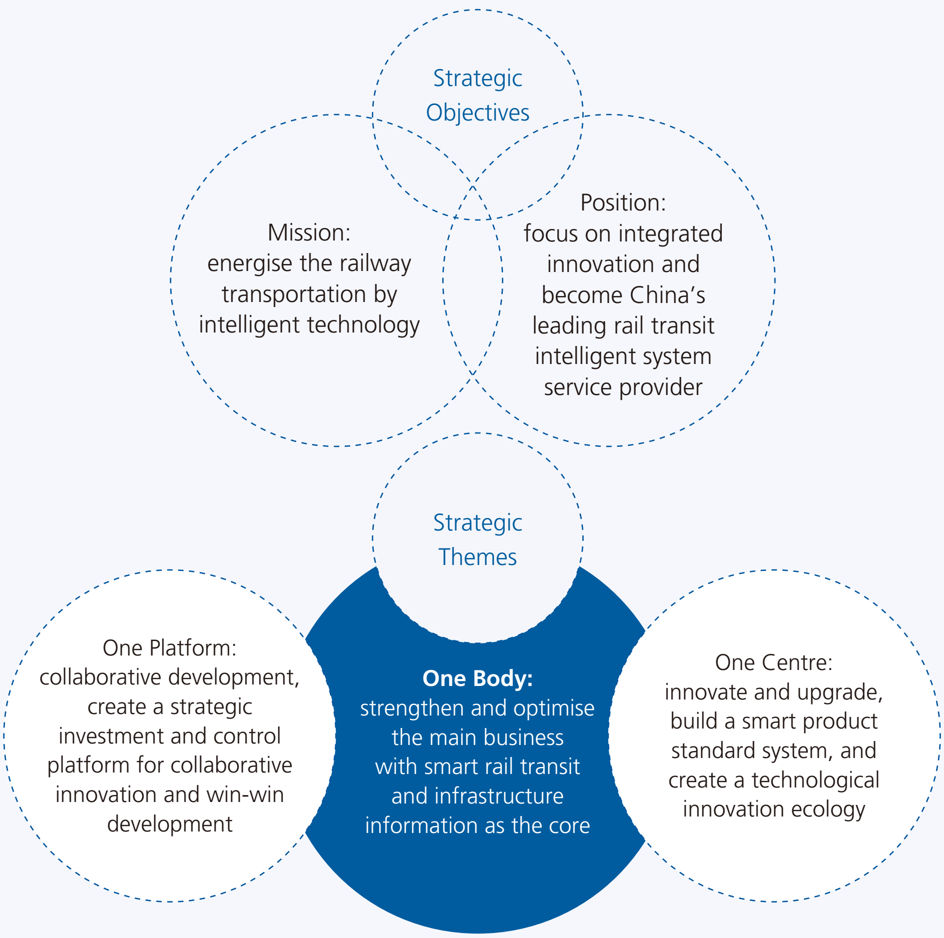
COMPANY OVERVIEW

COMPANY INTRODUCTION

The Group is a high-tech enterprise specialising in the field of railway transportation, integrating investment and financing, technology research and development ("R&D"), and intelligent railway transportation construction, operation and maintenance. The Company was listed on the Growth Enterprise Market (GEM) of the Stock Exchange on 16 May 2012 and transferred to Main Board of the Stock Exchange on 6 December 2013, with the stock code of 1522.HK.

The Group adheres to the mission of empowering railway transportation with intelligent technology, and is positioned to "focus on integrated innovation and become China's leading intelligent rail transit system service provider", by building a technological ecosystem, and is committed to providing system solutions throughout the life cycle for rail transit development, becoming a world-class intelligent rail transit leader.

intelligent railway transportation	Its intelligent railway transportation business provides hardware and software products and services to clients in high-speed rail, intercity, urban and suburban railway, subway and other fields in both domestic and overseas markets. It is an industry leader in China in terms of PIS and AFC businesses.
infrastructure information	The Group's infrastructure information business includes subway civilian communication transmission and "intelligent+" products and services, and is the main metro civil communication transmission system service provider in Beijing. It also actively develops smart management and control systems and service modes including smart pipe corridors, smart construction sites, smart hub, smart communities, smart parks and smart expressway.



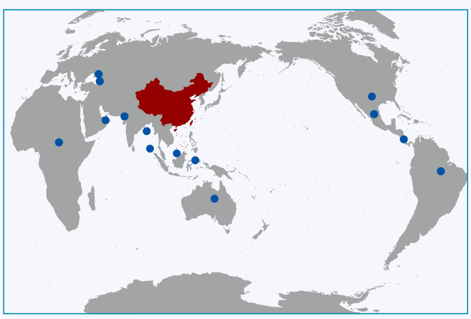
MARKET STRATEGY

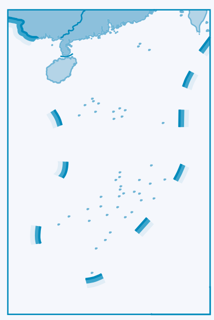
The Group adheres to its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets", has been making remarkable results in market expansion.

As of 31 December 2022, the Group's businesses covered 53 cities in 28 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including intelligent railway transportation and infrastructure information. As for overseas market, it has expanded into 23 cities in 14 overseas countries and regions, where it provided intelligent railway transportation-related products and services.

● Areas covered by our businesses in China

審圖號：GS京(2022)1546號





● Areas covered by our businesses overseas

Note: The Group has expanded its footprint to India, Sri Lanka, Indonesia, Costa Rica, the USA, Mexico, Brazil, Bulgaria, Romania, Australia, Saudi Arabia, United Arab Emirates, Malaysia, Nigeria etc.

SUMMARY WITH FIGURES

The Group concentrated on railway transportation for

18 YEARS

Its businesses covered

53 CITIES in China and **23** CITIES overseas in fourteen countries and regions

It owned **114** PATENTS and **507** SOFTWARE COPYRIGHTS

As at the end of 2022, the orders on hand of the Group was approximately

HK$ 2.56 BILLION

AWARDS AND HONORS IN 2022

Top 100 Enterprises in Beijing's Digital Economy

State-owned Assets Supervision and Administration Commission of the State Council Science and Technology Reform Demonstration Enterprise

Second Prize of Beijing Science and Technology Progress Award

Runner up of Zhongguancun 5G Innovation and Application Competition

ORGANIZATIONS AND ASSOCIATIONS JOINED IN 2022

Deputy Director of Safety Management Professional Committee of China Urban Rail Transit Association

Member of Intelligent Transportation Information Engineering Branch of China Electronics Society

Vice President of 5G Application Industry Array (5G AIA)

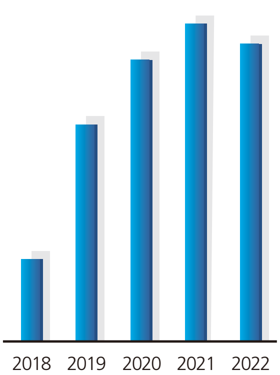
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Key profit or loss items (HK$ Thousand)					
Revenue	**1,638,948**	1,749,210	1,549,976	1,193,937	453,204
Gross profit	**586,299**	647,526	615,259	424,779	108,815
Earnings before interest, taxes, depreciation and amortization	**307,322**	318,475	297,813	209,019	105,303
Profit attributable to equity shareholders of the Company	**179,252**	187,535	168,407	96,870	47,398

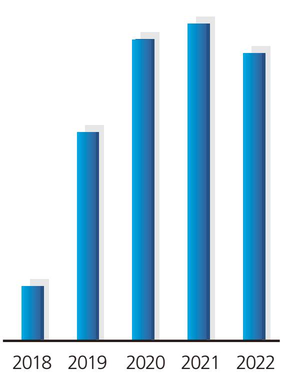
	As at 31 December				
	2022	2021	2020	2019	2018
Key statement of financial position items (HK$ Thousand)					
Non-current assets	**1,561,167**	1,582,939	1,468,125	1,528,471	703,412
Current assets	**2,842,593**	2,833,723	2,828,905	2,505,375	2,340,020
Total assets	**4,403,760**	4,416,662	4,297,030	4,033,846	3,043,432
Total liabilities	**1,753,967**	1,644,768	1,744,026	1,761,306	845,780
Equity attributable to equity shareholders of the Company	**2,573,415**	2,660,160	2,452,617	2,189,216	2,168,810

Financial year	**2022**	2021	2020	2019	2018
Return to shareholders					
Earnings per share					
– Basic (HK$ cent)	**8.5**	8.9	8.0	4.6	2.3
– Diluted (HK$ cent)	**8.5**	8.9	8.0	4.6	2.3
Dividend per share (HK$ cent)	**2.6**	2.7	2.5	2.0	1.0
Net assets per share (HK$)	**1.3**	1.3	1.2	1.0	1.0

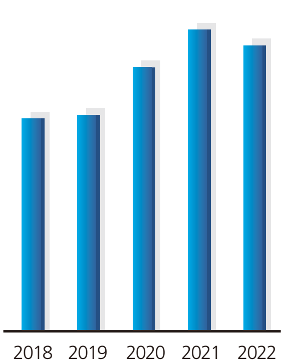
Revenue (HK$ Thousand)



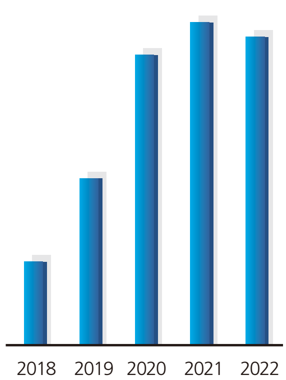
Gross profit (HK$ Thousand)



Profit attributable to equity shareholders of the Company (HK$ Thousand)



Basic earnings per share (HK$ cent)



CHAIRMAN'S STATEMENT

Maintain strategic adherence
Strengthen innovative drivers
Achieve steady and long lasting progress

Mr. Guan Jifa
Chairman

Dear valued shareholders and friends,

On behalf of the board of directors (the Board), I am pleased to present the annual results of the Group for FY 2022.

2022 is the key year for the implementation of the Group's development strategy of "Better Quality and Innovation Towards 2025". Facing the impact of various adverse factors in the external environment, the Group actively fitted itself into the national strategy, closely followed the development trend of the industry, adhered to sustainable growth, and carried out various operations and management efficiently, further consolidating the foundation of high-quality development.

RESULTS AND DIVIDENDS

In 2022, the Group recorded revenue of approximately HK$1,638.9 million, and the profit attributable to equity shareholders amounted to approximately HK$179.3 million. As a token of gratitude to Shareholders for their continuing support, the Board proposed payment of a dividend of HK$0.026 per share for FY 2022. The total amount of dividend will amount to approximately HK$54.5 million with a dividend payout ratio of 30.4%, subject to the approval of the Shareholders at the 2023 AGM. The Company has declared cash dividends for six consecutive years, which is a reflection of the implementation of its medium and long-term dividend policy.

STRATEGIC DEVELOPMENT

The Group stayed focused on the development strategy of "becoming China's leading intelligent rail transit system service provider by focusing on integrated innovation" based on the strategic theme of "one body, one platform, and one centre". With long-term perspective, we've been committed to improving our strengths, and seeking strategic development in line with corporate values.

In terms of market expansion, the Group has further focused on its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets", followed the trend of digitalisation, networking and intelligent development of the industry, proactively undertook infrastructure construction projects in Beijing and delivered its products and services in various application scenarios such as rail transit routes, sub-centre transit hub and capital airport, and fully supported in the digital, networking and intelligent infrastructure construction in Beijing. The Group further expanded its business nationwide. It secured projects in Tianjin and Wuxi for the first time, helped Shaoxing Metro Line 1 project to be successfully put into operation, and built a brand project of intelligent metro. The Group kept offering customised services for overseas clients with greater global brand influence. It entered the market of Kuala Lumpur, Malaysia, for the first time, successfully became the global supplier of the Alstom, and supported in the successful trial of the Jakarta-Bandung High-Speed Railway during the G20 Summit.

As for research & development (R&D) innovation, the Group remained steadfast towards the strategic goal of "science and technology plus innovation". Led by the National Demonstration Project relating to the "new generation smart train operation system and platform", it continued to advance independent R&D of key technologies, including the integrated cloud management platform, uDAP3.0 (Unified Data Access Platform), uDMS2.0 (Unified Data Modelling Services), and on-board PIS, and enriched its product matrix. Meanwhile, we formulated strategic product planning in advance, and developed a product technology system that meets our business development needs and aligns with the trends of the industry and technologies. By constructing an innovative development path with abundant investment, efficient R&D and high-level output, the Group kept accumulating and reinforcing our product technical strengths to create a powerful engine for sustainable growth.

With respect to investment control, the Group focused on the integrated management of itself and the companies it holds shares in or controls, continued to expand the "differentiated and empowering" control and management model, made precise resource consolidation, built an ecosystem of main businesses, and kept improving its competitiveness. During the Year, the Group further acquired 3.7% equity interest in Huaqi Intelligent, a subsidiary, to optimise the shareholding structure of Huaqi Intelligent and continue to increase synergies with a view to promoting the healthy long-term development of the subsidiary and ensuring steady growth of investment returns.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Group paid close attention to environmental, social and governance (ESG) themes, and continued to standardise its governance and assume its social responsibility by innovating means and enriching practices of responsibility fulfillment.

A company's longevity lies in standardised corporate governance. During the Year, the Group strictly followed the Listing Rules and relevant guidance, discussed the newsletters from the Stock Exchange of Hong Kong in time at the Board meetings, and organised training for Directors regarding inside information, information disclosure and ESG issues to ensure Directors' effective fulfillment of responsibilities. In addition to the completion of the annual system construction, the Group further improves the construction of the compliance system and optimised the reporting and anti-corruption governance mechanism so as to meet higher standards of corporate governance.

To help address climate change and environmental impacts, the Group has set up medium – and long-term emission reduction targets, benchmarked against the industry's green development action plan by leveraging on its main business, and helped reduce energy consumption in rail transportation operations and empowered energy saving and emission reduction by developing an energy consumption management platform and improving product energy efficiency.

The Group has always been committed to focusing on and meeting the needs of society and the public by providing intelligent products and solutions, focusing on upgrading industry services and improving the transportation experience, while paying great attention to safety, protecting the rights and interests of employees and practicing social responsibility.

BUSINESS PROSPECTS

The year 2023 is a critical year for the Group to implement the "14th Five-Year Plan". Facing a future where opportunities and challenges coexist, as Chairman of the Board, I will lead the Group to maintain strategic focus, in order to focus on the main responsibilities and main businesses, grasp the latest trends in the macroeconomy, seize the opportunities of digitalisation and low-carbon transformation and upgrading of the industry, and fulfil the duty and mission of "energise the railway transportation by intelligent technology". We will work together to create more intelligent, efficient and green products and services for the society and users, steadily improve the quality of corporate development, and continue to create returns and value for Shareholders.

APPRECIATION

On behalf of the Board, I would like to thank all of our staff members and the management teams for their tireless efforts and outstanding contributions to the steady development of the Group, I would also like to express my appreciation to our customers, partners and peers as well as our Shareholders and investors for their long-term strong support and trust.

We will keep moving forward, strive to be the first, make a difference, and write a new chapter together.

Mr. Guan Jifa
Chairman
Hong Kong, 27 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Liu Yu
Chief Executive Officer

MARKET AND BUSINESS ENVIRONMENT

In 2022, China's annual GDP growth was 3.0% at constant prices, slowed down by 5.1% year-over-year, due to various adverse factors including the international environment. Affected by macro factors, in 2022, the investment and construction of rail transit in Mainland China has remained at a high level, but the growth rate has slowed down. According to the data released by the China Association of Metros "CAMET", in 2022, a total of approximately 1,085.2 kilometres of new urban rail transit lines were added in Mainland China, representing a year-on-year decrease of approximately 11.3%. At the same time, according to the data released by the National Railway Administration, in 2022, the completed investment in China's railway fixed assets was approximately RMB710.90 billion, representing a year-on-year decrease of approximately 5.1%. In respect of the passenger traffic, in 2022, the number of passengers transported by urban rail in Mainland China was approximately 19.40 billion, representing a year-on-year decrease of approximately 18.2%; the total passenger volume of Beijing's rail transit network was approximately 2.26 billion, and the average daily passenger volume was approximately 6.197 million, representing a year-on-year decrease of approximately 26.3%.

In order to effectively respond to the downward pressure on the economy, the government has launched a package of macro policies to promote the recovery of growth and boost confidence in development. Under the guidance and support of such policies, it is expected that the rail transit in Mainland China will develop steadily, driving the coordinated development of the entire industry chain including rail transit investment, construction, and operation. At the same time, the government also needs to promote the integrated development of the digital economy and the real economy, and vigorously build a digital China and a smart society. Beijing also promulgated the "Regulation of Beijing Municipality on the Promotion of Digital Economy" (《北京市數字經濟促進條例》) to promote the construction of new urban infrastructure and create a favourable policy environment for the Company's "Intelligent+" business.

BUSINESS REVIEW

Overview

In the first half of the year, due to the market environment in the core business area, the performance of the Group fluctuated. With the stabilisation of the external environment in the second half of the year, the Group faced difficulties and raced against time to overcome all kinds of difficulties actively, promote the healthy development of various businesses, and steadily improve the quality of its business operations.

In 2022, the Group's overall operating performance basically remained stable, with annual revenue of approximately HK$1,638.9 million, representing a year-on-year decrease of approximately 6.3%, and a gross profit margin of approximately 35.8%, the profit attributable to equity shareholders was approximately HK$179.3 million, representing a year-on-year decrease of approximately 4.4%. According to the medium and long-term dividend policy of the Group, the Board proposed to distribute a final dividend of HK$2.6 cents per share (FY 2021: HK$2.7 cents).

The Group has continuously increased market development efforts to consolidate the foundation for sustainable development. In 2022, the Group continued to adhere to its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets", while successfully assisting the opening of Beijing's new line and continuing to build subway and "Intelligent+" product and service brands, it has also expanded into multiple regional markets. It successfully entered into four markets including Tianjin and Wuxi in Mainland China for the first time, and developed the market in Kuala Lumpur, Malaysia overseas for the first time. At the same time, the Group strived to improve project delivery capabilities to ensure the realisation of revenue. In 2022, the Group has overcome the impact of the adverse external factors, vigorously promoted the progress of projects under construction, and assisted in the opening and operation of 16 rail transit lines (sections) in 11 cities in Mainland China and abroad. The Group's business covered 53 cities in China and 23 cities in 14 overseas countries and regions. As at the end of 2022, the Group had orders on hand of approximately HK$2.56 billion, representing a year-on-year increase of approximately 16.6%, which has accumulated sufficient project reserves for continuous and stable income.

The Group also attaches great importance to enhancing the core competitiveness of its main business through R&D and innovation. In 2022, the Group's technology research and development expenses remained stable as compared to the previous year and amounted to approximately HK$159.6 million, accounting for approximately 9.7% of the revenue for the year. The Group acquired 7 new patents (114 in total) and 71 new software copyrights (507 in total), further improving the quantity and quality of independent intellectual property rights in order to strengthen the soft power of the Company.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$1,638.9 million in FY 2022, representing a decrease of approximately HK$110.3 million or approximately 6.3% from FY 2021. Revenue from intelligent railway transportation services and infrastructure information accounted for approximately 87.4% and 12.6% of the total revenue, respectively.

The Group mainly operates its businesses in Mainland China. For FY 2022, the Group recorded revenue of approximately HK$1,567.7 million in Mainland China, representing a decrease of approximately HK$107.1 million as compared to FY 2021. Among them, the decrease in revenue in Mainland China was due to the delay in the delivery and acceptance of some projects of the smart rail transit service business due to the impact of the adverse external factors. On the other hand, as the infrastructure information service business, including the use of ports for 4G information transmission services, had been sorted out in the first half of 2021 and such revenue has been confirmed, the business has returned to normal levels this year.

Cost of sales

The Group's cost of sales was approximately HK$1,052.6 million in FY 2022, representing a decrease of approximately HK$49.0 million or approximately 4.5% from FY 2021. The decrease in cost of sales was mainly due to the decrease in the cost caused by the delay in the delivery and acceptance of some projects.

Gross profit

The Group's gross profit was approximately HK$586.3 million in FY 2022, representing a decrease of approximately HK$61.2 million or approximately 9.5% from FY 2021. The decrease in gross profit was mainly due to a decrease in business volume during the year.

Share of results of joint ventures and associates

The Group's share of results of joint ventures and associates in FY 2022 was approximately HK$52.9 million, representing a year-on-year decrease of approximately 6.7%. The change in the share of results of joint ventures and associates on the one hand was mainly attributable to the delivery of new business by Metro Science and Technology, a joint venture of the Group, on the other hand was mainly attributed to the Group's derecognition of the gain on its investment in Cornerstone Chuangying, a joint venture of the Group that underwent liquidation within the year.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses in FY 2022 were approximately HK$281.2 million, representing a decrease of approximately HK$6.8 million or approximately 2.4% compared with FY 2021. During the year, online and remote work methods were even more used, and business travel was restricted, thus the related expenses were decreased.

Profit attributable to equity shareholders of the Group

The profit attributable to equity shareholders of the Group was approximately HK$179.3 million in FY 2022, representing a year-on-year decrease of approximately 4.4%. Earnings per share were HK$0.085, representing a year-on-year decrease of approximately 4.5%.

Liquidity, financial and capital resources

Capital structure

As at 31 December 2022, the Group's issued share capital consisted of 2,097,146,727 ordinary shares of HK$0.01 each (as at 31 December 2021: 2,097,146,727 ordinary shares of HK$0.01 each).

Cash position

As at 31 December 2022, the Group's cash and bank balances were approximately HK$808.7 million (as at 31 December 2021: approximately HK$893.4 million).

Borrowings and pledged assets of the Group

As at 31 December 2022, the Group's borrowings were approximately HK$383.9 million (FY 2021: approximately HK$348.8 million), of which HK$300 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, and the remaining was bank borrowings amounted to approximately HK$83.9 million.

In respect of the Group's borrowing of HK$300 million, as at 31 December 2022, the Company's rights and interests as to 60% of the issued share capital of Great Legend Development Limited* (華駿發展有限公司), a wholly-owned subsidiary of the Group, were charged in favour of a subsidiary of the Company's ultimate holding company.

Working capital and gearing ratio

As at 31 December 2022, the Group had current assets of approximately HK$2,842.6 million (as at 31 December 2021: approximately HK$2,833.7 million), while its current liabilities were approximately HK$1,378.5 million (as at 31 December 2021: approximately HK$1,245.9 million), resulting in net current assets of approximately HK$1,464.1 million (as at 31 December 2021: approximately HK$1,587.8 million). As at 31 December 2022, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.1 (as at 31 December 2021: approximately 2.3). It is expected that the Group will have sufficient financial resources to meet the continuous operation and development needs.

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period multiplied by 100%. As at 31 December 2022, the Group's gearing ratio was 39.8% (as at 31 December 2021: 37.2%).

Foreign exchange exposure

The Group has six main operating subsidiaries, one was incorporated in Hong Kong and the other five were established in Mainland China. All of these subsidiaries earn revenue and incur cost in their local currencies. The Group's foreign exchange risk does not have any significant financial impact.

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (as at 31 December 2021: nil).

BUSINESS ANALYSIS BY SEGMENT

Intelligent railway transportation business: Cornerstone and steadiness

The Group's intelligent railway transportation business mainly involves products and services in the fields of Passenger Information System (PIS), Automated Fare Collection System (AFC), Automatic Fare Collection Clearing Centre (ACC) and Traffic Control Centre (TCC). In 2022, the Group's smart rail transit business recorded income of approximately HK$1,432 million, representing a year-on-year decrease of approximately 5.6%, which was mainly due to the delay of delivery and acceptance of some projects during the year caused by the impact of the adverse external factors.

During the year, relying on the construction of the national demonstration project of the "new-generation intelligent train operation system and platform", the Group completed the independent R&D of various important products such as comprehensive cloud management platform, uDAP3.0 (unified data access platform), uDMS2.0 (unified data model service), and wireless on-board PIS system. The Group was also successfully nominated onto the list of "Science and Technology Reform Demonstration Enterprise" by the State-owned Assets Supervision and Administration Commission of the State Council, which enhanced the competitiveness of the Group's smart rail transit business.

According to the data released by the CAMET, in 2022, the urban rail transit on-board PIS system market comprised a total of 9,504 vehicles, among which, the Group won bids for 2,638 vehicles, representing an increase of nearly 39.3% over the previous year. The Group continued to lead the on-board PIS system market in terms of market share, and has maintained the leading position in the industry for seven consecutive years. In addition, by firmly grasping on the opportunities in the Beijing market, the market share of the Group's AFC business has increased in 2022.

Strengthening the position of Beijing market as cornerstone. Due to the impact of the adverse external factors, the Group has formulated rigorous and effective guarantee measures for market expansion and project implementation for the Beijing market. The amount of newly signed contracts and winning bids in Beijing amounted to approximately RMB940 million, accounting for approximately 55.3% of the total amount of the Group's expansion projects during the period. The role of the "ballast stone" (壓艙石) in the Beijing market continued to be strengthened, and is reflected in the Group's financial performance.

In terms of market expansion, the Group actively participated in the capacity expansion and upgrading project of Beijing Metro 13, and won another professional general contracting integration project after the Shaoxing Project. The cumulative amount of the Beijing Metro 13 reached approximately RMB550 million, which will provide stable business income for the Group in the future. The Group also won the bid for the third-phase infrastructure integration project of Beijing Metro Daxing Airport Express informatisation. This project will fully demonstrate the Group's capabilities in the construction of information cloud platform infrastructure, and sets the industry benchmark, laying the foundation for subsequent bids for the urban rail cloud market.

In terms of project implementation, the first phase of the south extension of Beijing Metro Changping Line and the AFC and PIS completion acceptance of the southern section of Line 16 have been successfully completed, laying a solid foundation for the opening and operation of the line.

Strengthening marketing efforts in markets outside Beijing. Due to the diversified product demands of markets outside Beijing, the Group fully utilised the mature model of "Beijing products + Beijing services", effectively integrated with the actual local conditions of the project, adopted city-specific strategies with tailor-made services, explored new business in existing market, strived to expand in new business territories, deeply submerged the business "foundation pile" (基礎樁), and promoted the development of business in depth across China.

In terms of market expansion, the Group newly expanded the PIS project of Suzhou Metro Line 6 and first applied the LCD-type through-channel display screens to enhance passenger information service capabilities. The newly expanded Wuxi Metro Line S1 project is our first entrance into local metro market and it will lay the foundation for further expansion in the future. The Group has comprehensively upgraded its intelligent high-speed rail services and implemented bulk supply of passenger information systems for intelligent EMUs. The Group entered the Tianjin, Wuxi and other places for the first time, further expanding the business coverage in Mainland China.

In terms of project implementation, the Group has successfully guaranteed the opening of Shaoxing Metro Line 1 as scheduled, creating another flagship project outside Beijing. The Group also assisted in the opening and operation of rail transit lines (sections) in Hangzhou, Shaoxing, Guangzhou, Zhangjiajie, Nantong, Shenzhen, Foshan and other places throughout the year.

Promoting continuous breakthroughs in overseas markets. In 2022, the international environment was complicated. The Group's overseas business development was still facing great hindrance. However, relying on its own core technology and competitive advantages in project management, the Group had made breakthroughs in the international market.

In terms of market development, the Group newly developed the PIS project in Kuala Lumpur, Malaysia, and the Pune Metro Line 3 project in India, and successfully obtained Alstom's global supplier qualification to further expand business channels in the international market.

In terms of project implementation, during the G20 Summit, and as witnessed by the heads of state of China and Indonesia, the testing of the Jakarta-Bandung high-speed rail inspection vehicle with the Group's products onboard was successful, and China's high-end rail transit equipment managed to "sail to sea" (揚帆出海). The Group assisted the Pune Metro, Mumbai Line 2 and Mumbai Line 7 in India throughout the year, and continued to consolidate its market position in India.

Infrastructure information business: Upgrading and implementation

The Group's infrastructure information business mainly consists of transmission services for subway civil communications and "Intelligent+" products and services, which are mainly situated in Beijing. The "Intelligent+" business mainly obtains revenue through the provision of smart management and control systems and services for a series of application scenarios such as utility tunnels, construction sites, communities, industrial parks, and micro-centres. In 2022, the Group's infrastructure information business recorded revenue of approximately HK$207.0 million, representing a year-on-year decrease of approximately 11.2%, which was mainly due to the sorting out of 4G information transmission service ports in the first half of 2021 and recognition of such revenue. The revenue of this business segment returned to the normal this year.

Actively exploring the growth point of civil communication business. The civil communication business mainly generates income by providing civil communication information transmission services to China's three major telecom operators and sharing mobile data traffic. In recent years, such business has gradually expanded to provide network services based on cutting-edge technologies such as optical fibre transmission and multi-network fusion Internet of Things. In 2022, the Group signed a strategic cooperation agreement with the three major telecom operators. On the premise of maintaining the agreed amounts of the resource usage fee and the traffic usage fee from the existing 209 stations for the 4G business for five years, we will negotiate and achieve phased progress on the 5G business operation model of the existing 209 stations, which will provide stability in relation to the income of the Group's civil communication business in the upcoming five years, and further enhance the Group's exclusive advantages in this field. At the same time, the civil communication transmission system of the south extension of Beijing Metro Changping Line, which was independently invested and constructed by the Group, has completed the project acceptance stage and commenced operations simultaneously within the year. As of the end of 2022, the Group's civil communication service has covered 27 lines (sections) and 242 stations of the Beijing Metro (*due to the segmental commencement of operations of the metro lines, according to the statistical calibre of merging the segmented lines, equivalent to 16 lines). The renovation, operation and maintenance of existing metro lines are progressing in an orderly manner.

On the basis of continuous expanding traditional business, the Group actively explored new growth opportunities for business revenue, and aimed at enhancing 5G applications, launched the triple play IoT card solution, enabling the function of one SIM card receiving the wireless signals of three operators, and automatically selecting the optimal network according to the wireless signal strength, package tariff and other strategies. These series of products have achieved integrated applications in multiple industries such as smart construction sites, new energy, and Internet of Vehicles, providing customers with low-cost, high-reliability, and high-resilience wireless network services.

Focus on implementing the new "Intelligent+" business plan. The Group focused on the construction of smart micro-centres, actively participated in the Dongba project, constantly optimised and upgraded overall solutions based on the needs of the owners, and comprehensively promoted the construction of the Dongba smart community. At the same time, the Group's self-developed collaborative operation management system, which was supported by the key research and development projects of the "13th Five-Year Plan" of the Ministry of Science and Technology of the PRC, had been fully launched in the airport comprehensive transportation project of the Capital Airport, which facilitated the coordinated operation, efficient operation, and intelligent services of airport traffic in the Capital Airport, and implemented the development of new application scenarios for the Group's "Intelligent+" business.

Investment Distribution: Integration and optimisation

In 2022, the Group's investment business continued to be firmly oriented towards the digitalization and intelligentization, focused on the three aspects of strengthening capabilities, improving heights, and expanding scope, and continued to explore potential investment targets to lay the foundation for further improvement in the industry layout and strengthening the industrial ecology in the future. At the same time, from the perspective of the overall development strategy of the Group, it promoted the integrated management of the participating companies and the Group, and paid attention to the healthy and long-term development of the invested companies, making them stronger and better. By virtue of providing the invested companies with value-added services in strategic decision-making, team building, management methods, product services and other aspects, we keep strengthening post-investment management in order to achieve the coordinated development of the Group's business and capital appreciation:

- Due to the impact of the pandemic and the relocation of some routes, the annual passenger volume of the Beijing Subway Capital Airport Express operated by Beijing Metro, a joint venture of the Group amounted to approximately 1.658 million. During the year, Beijing Metro launched the operation and management service project of Shaoxing Metro Line 1 as scheduled, expanded operation service business, and actively explored value-added service businesses such as consulting, advertising, and retail. In addition, Beijing Metro successfully won the bid for the internal operation service provider selection project of Beijing Metro Line 28, laying the foundation for subsequent robust business development;

- Metro Science and Technology, a joint venture of the Group, completed AFC equipment maintenance for 333 stations in 16 lines of the Beijing Metro with high quality, as well as comprehensive maintenance work for the Capital Airport Express. In addition, Metro Science and Technology won the bid for the comprehensive maintenance project of Beijing Subway Line 12 within the year, further solidifying the foundation for future performance;

- The Yitongxing APP developed by Ruubypay that the Group invested in has accumulated approximately 32.50 million registered users, an increase of approximately 2 million over the same period last year, and its internet ticketing accounted for approximately 53.9% of the average daily traffic through the entire road network. During the year, Ruubypay cooperated with the government to complete the Beijing Subway ticketing upgrade service, expanded the scope of partners and business services, and continued to explore and innovate local ecological operations;

- Youdao Technology that the Group invested in, researched and developed a number of products such as subway teaching trains and implemented their practical applications. It actively sought partnerships, held a number of large-scale events and seminars, opened up the upstream and downstream resources of enterprise education in the transportation industry, and will further increase the intensity of events and the transformation of competition products in the future; and

- Cornerstone Lianying that the Group invested in, has entered the exit period. Some projects have been withdrawn in an orderly manner and investment income was obtained. Meanwhile, by participating in the investment of Cornerstone Huiying, the Group will continue to select and nurture high-quality enterprises around the core segment of rail transit to improve profitability.

BUSINESS PROSPECTS

Macro economy is stable and improving

The year 2023 is a critical year for China to implement the "14th Five-Year Plan". Although the external environment is still complicated and severe, the fundamentals of China's economic resilience, great potential, vitality, and long-term improvement have not changed. With domestic conferences continuously sending positive signals, a series of policies mainly oriented to expanding consumption and stabilising investment, such as the "Outline of Strategic Planning for Expanding Domestic Demand (2022-2035)", accelerated the pace of implementation. The momentum of economic growth in China is expected to continue to accumulate and strengthen, and the macroeconomic environment will continue to maintain a stable and positive trend.

Continued optimisation of the industry environment

In 2022, the national fixed asset investment grew steadily, representing an increase of approximately 5.1% as compared to the previous year, which has played a vital role in promoting the development of the national economy. While the industry is developing steadily, the investment amount and the scale of operating lines continue to maintain high levels of operation, while the pace of smart urban rail construction and upgrading in Mainland China is accelerating. In 2022, the government issued the "14th Five-Year Plan" National Urban Infrastructure Construction Plan. At the same time, the development plan of the national-level metropolitan area had further expanded the capacity of Zhutan, Xi'an, Chongqing, Wuhan and other cities, and the demand for multi-level rail transit construction and smart city construction has further expanded.

The Group's revenue is mainly derived from the construction of new lines and upgrading of existing lines for high-speed rail and rail transit, where market demand is closely related to the scale of new lines and operations. With an increasing number of new lines coming into operation, especially the new trend of networked operation and management in first and second tier cities, there is an urgent need for line network level systems such as ACC, TCC, and big data center for unified command and management; At the same time, the rail transit industry reaches a consensus that going intelligent is a current trend for the industry, and new segments such as "be smart" renovation of existing equipment and smart customer services will give rise to high demand for a large number of new products; In addition, after a period of rapid development, the base of existing vehicle equipment has grown, and the resulting repair and maintenance as well as renovation and upgrade have become common problems faced by the industry. It is expected to bring more incremental business of renewal and renovation. These new and rapidly growing demands will bring more business opportunities to the Group.

Stronger strategic direction

In 2023, the Group maintained its strategic adherence to firmly seize the latest macro and industry trends. The Group is in line with the strategic development ideas of "Four Rail Transit" and "Three Transformations" of BII, sticks to the core strategic goal of "Technology + Innovation", and solidifies the foundation and base for long-term sustainable development through the dual drivers of Technological Innovation + Intelligent Innovation.

In terms of market expansion, the Group is digging into the trend of being digital, intelligent, low-carbon and autonomous, integrating internal products and market resources, clearing the race track, making concerted efforts and driving each other to continuously expand our business coverage, and achieving the goal of "Cosy Up in Groups"; on the other hand, with the advantage of the application scenario and demonstration effect of Beijing as its "Home Base", the Group can rely on the resources of our shareholders and customers to promote itself in both the domestic and international markets, so as to "Share Ride to Overseas".

In terms of research and development and innovation, the Group focuses on key areas such as networked intelligent operation and smart passenger services and intelligent operation and maintenance, deeply integrating cutting-edge technologies such as cloud platform, big data and artificial intelligence, prospectively rolling out product technologies and constructing a stronghold for the development of industrial technology.

In terms of investment management, the Group will further strengthen the management of and services for our investees, promote the improvement of the Group's overall operational efficiency through a differentiated management model, accelerate the integration of the business and equity of our investees, and strictly control various operational risks; At the same time, the Group is exploring possible modes of capital operation to achieve continuous improvement in cash flow and long-term growth in value.

In terms of compliance and governance, the Group will build a flat management structure, give full play to the functional support, and strengthen the comprehensive development of talent team, financial management, compliance system, digitalisation, and business management among others to promote its high-quality growth.

ACQUISITION MADE IN FY 2022

Reference is made to the announcement of the Company dated 16 December 2022. On 16 December 2022, BII Zhongfu, Huaqi Intelligent, Changxing Tianyue and Changxing Xiangyue entered into an equity transfer agreement, in which BII Zhongfu would acquire 3.7% equity interests in Huaqi Intelligent. After the acquisition, the Group's indirect equity interests in Huaqi Intelligent would increase from 95.0% to 98.7%.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Company and Beijing Subway Operation as to 49% and 51%, respectively. Its registered capital was RMB500 million of which RMB245.0 million was contributed by the Company and RMB255.0 million was contributed by Beijing Subway Operation which is an independent third party. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the Operating Income Rights of Beijing Subway Airport Express, Dongzhimen Terminal and new lines of the Beijing Subway.

Beijing Metro is a non-public company whose quoted market price is not available. As of 31 December 2022, the carrying amounts of Beijing Metro in the Group's consolidated financial statements by using equity method is HK$259,412,000, accounting for approximately 5.89% of the Group's total assets as at 31 December 2022. The Company did not receive any realised and unrealised gain or loss or any dividends from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funding and operation needs of Beijing Metro.

Save as disclosed, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and other plans for material investments or capital assets during FY 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed a total of 744 employees (including the executive Directors) (31 December 2021: 739). The total staff costs, including Directors' remuneration, were approximately HK$323 million (FY 2021: approximately HK$348 million). The reason for the decrease was mainly due to the Group's continuous optimisation of its personnel structure.

The Group reviews remuneration package annually with reference to the prevailing market conditions and staff's working performance, qualification, and experience. In addition to basic remuneration, the Group also pays bonus based on its performance and staff's contribution to the Group. Other benefits include share options, contribution to social insurance scheme in China, contribution to the MPF Scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the Shareholders, the Board recommended the declaration of a final dividend of HK$0.026 per share for FY 2022 (FY 2021: HK$0.027 per share). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Wednesday, 5 July 2023, subject to the approval of the Shareholders at the 2023 AGM. It is expected that the final dividend will be paid on or before Friday, 22 September 2023.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

There were no other significant events arising subsequent to FY 2022 as at the date of this annual report.

PERORATION

The year 2022 was a difficult and extraordinary year, while we dauntlessly and persistently forged ahead. I am very grateful to our customers, partners and investors for their support and trust, and to all of our staff for their hard work and dedication.

Looking forward to 2023, a year full of hope, with the domestic economic environment improving in depth, we will continue to maintain our strategic focus, reinforce our confidence and determination, seize development opportunities, and concentrate all our efforts on expanding the market, increasing our efficiency, strengthening our management and resolving our risks, as well as strive to achieve better performance to repay our Shareholders and the society.

Liu Yu
Chief Executive Officer
Hong Kong, 27 March 2023

RISK FACTOR ANALYSIS

The Group is faced with risks, including risks arising from changes in national strategies and macroeconomy and industrial policies, risks related to its businesses, as well as changes in regulatory rules on listed companies that will have an impact on the Group. Therefore, the Group will be committed to building a more scientific and systematic risk control system to address these risks. On the basis of its increasingly perfected internal control system, it will closely monitor and prevent various risks from risk assessment, financial control, internal audit and legal risk control.

RISKS FROM CHANGES IN MACROECONOMY

The core business of the Group is closely related to the macroeconomy and industrial investment policies. Currently, the international environment remains complex and evolving, the prospects of global trade are not optimistic, the basis for domestic economic recovery is not yet solid, and there might be macroeconomic fluctuations to certain extent, all of which will exert impacts on the Group's development environment. In response to the above risks, the Company will expand its research on international and industrial policies. Specifically, it will keep a close eye on policy changes to adjust its response strategies in a timely manner, and enhance its ability to resist risks, so as to reduce the adverse impact of uncertain macro environmental risks on the Group's operations.

RISK FROM CHANGES IN MARKET CONDITIONS

At present, the speed of national rail transit construction tends to slow down and stabilize, and the competition in the related market becomes increasingly fierce, the trend of supporting local enterprises in various places is obvious and more local resources are teaming up, all of which increase the difficulties in market expansion to certain extent. In view of the above risks, the Group will further fully integrate the resources of shareholders, give full play to the role of its investment and control platform, strengthen the ability to obtain channel information, the ability to explore and utilize key resources, and the ability to collaborate with partners. At the same time, the Group will further optimize and improve the Group's product spectrum, provide customers and users with "Al carte personalized" services, innovate the sales model and implement differentiated competition to continuously enhance the market expansion effect.

RISKS FROM TECHNOLOGICAL TRANSFORMATION AND ITERATION

During the "14th Five-Year Plan" period, the rail transit is entering a stage of high and stable development, and the industry will gradually shift its focus towards improving management efficiency, operation reliability and service quality, which may have impacts on the Group's existing products and business. In view of the above-mentioned risks, the Group will strengthen the implementation of its "14th Five-Year Plan" strategy, and gradually build a big data platform for intelligent urban rails and an ecological cloud platform for rail transit powered by advanced technologies, such as big data platform, cloud platform and machine learning, so as to continuously improve the digital and intelligent level of rail transit and offer customers reliable, intelligent and low-carbon products and solutions.

INVESTOR RELATIONS

INVESTOR RELATIONS

Communication with investors

Over the past year, we have maintained close contact with investors, continuously communicating with them through online meetings, phone calls, face-to-face conversations, and other means, and answering questions about the Group's strategic direction, business development, prospects, and other concerns at any time.

In 2022, the Group has communicated with investors and analysts more than 50 times.

Channels to gain information

The Company ensures that all the investors can have access to the Company's important information equally, accurately and in time through its website. Investors can gain details about corporate governance, information disclosure, stock information, roadshow and investment information, investor liaison, etc. on the Investor Relations section of the Company's website. They can also easily search and obtain annual reports together with other company news. The specific communication methods are detailed in paragraphs, including "Investor Relations and Communication with Shareholders" and "Shareholders' Rights" in the Corporate Governance Report of this annual report.

Financial summary for 2023

2022 annual results announcement	27 March 2023
2023 AGM	27 June 2023
Closing of register of members (in relation to the 2023 AGM)	21 June 2023 to 27 June 2023 (both days inclusive)
Closing of register of members (in relation to dividend distribution)	3 July 2023 to 5 July 2023 (both days inclusive)
Distribution of final dividend for 2022	HK$54,525,814.9
2023 interim results announcement	August 2023
End of financial year	31 December

Dividend performance

Dividend per Share

Final dividend per ordinary Share for FY 2020	HK$0.025 per Share
Final dividend per ordinary Share for FY 2021	HK$0.027 per Share
Final dividend per ordinary Share for FY 2022	HK$0.026 per Share

Dividend policy

After the Board took comprehensive consideration of strategic planning, business expansion, operation management, dividend payout and other factors, the Group has adopted a dividend policy which it believes is a sustainable, stable and scientific return mechanism for Shareholders. The mid-to-long-term dividend payout ratio will not be lower than 30% in principle, which will provide Shareholders with tangible returns. The specific dividend allocation will depend on the annual results, cash flows and other factors, subject to the approval of Shareholders at the relevant annual general meeting.

Shareholding as of 31 December 2022

Ordinary Shares

Total number of issued Shares	2,097,146,727

Market value

As of 31 December 2022, HK$681.57 million (closing price as at 30 December 2022: HK$0.325)

Key ratios

P/E ratio* (Market Price per Common Share/Earnings per Common Share)	3.82
P/B ratio* (Market Price per Common Share/Net Assets per Common Share)	0.26
Net profit margin (Profit for the year/Revenue × 100%)	11.29%
Return on equity (Profit for the year/Average total equity × 100%)	6.82%
Dividend yield* (Dividend per Common Share/Market price per Common Share × 100%)	8.00%

* According to the closing price on December 30, 2022

Stock information

Stock code

The Stock Exchange	1522
Reuters	1522.HK
Bloomberg	1522 HK
ISIN	KYG1267V1005

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

XUAN Jing (**宣晶**), Ms. Xuan, aged 49, was appointed as an executive Director on 27 June 2014 and was appointed as Chief Executive Officer on 28 February 2017. Ms. Xuan was appointed as the member of the Environment, Social and Governance (ESG) Committee on 29 November 2021. She resigned as an executive Director and Chief Executive Officer and a member of the ESG Committee on 21 March 2023. Ms. Xuan graduated from Tianjin University in the PRC in July 1995 with a bachelor's degree in engineering majoring in engineering management and obtained a master's degree in business administration from Nankai University in March 2001. In November 2003, Ms. Xuan was qualified as an economist approved by Beijing Intermediate Specialised Technique Qualification Assessment Committee* (北京市中級專業技術職務評審委員會). From July 1995 to September 1998, Ms. Xuan was the project manager of Changshi International (Tianjin) Group Limited (長實國際(天津)集團公司). From March 2001 to November 2007, Ms. Xuan was the deputy general manager of the finance department of Digital China (China) Ltd. From November 2007 to May 2010, Ms. Xuan served as the secretary to the board of directors and the general manager of the development department of Beijing Jinxin Technology Co., Ltd* (北京神州金信科技股份有限公司). From May 2010 to January 2017, Ms. Xuan successively served as the assistant to the manager, deputy manager and general manager of the investment management department of BII, the controlling shareholder of the Company. In July 2015, Ms. Xuan was appointed as the director of Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司) ("BII HK"), the controlling shareholder of the Company, and ceased to be the director thereof with effect from May 2017. In January 2023, Ms. Xuan was appointed as the general manager of Technology and Innovation Department of BII. Ms. Xuan also served as the chairman of BII-TSBJ, Cornerstone Vision and BII Xin An and as directors of Metro Science and Technology, Great Legend, Beijing City Railway, CCRTT Investment and BII-TSHK. Ms. Xuan now serves as the director and general manager of BII Zhuoyue, the director of Beijing Metro (a joint venture of the Group) and the executive director of BII Zhongfu. Ms. Xuan was also appointed as the chairman of Huaqi Intelligent on 13 June 2022. As at the date of this annual report, Ms. Xuan directly holds approximately 0.19% of the issued share capital of the Company.

LIU Yu (劉瑜), Mr. Liu, aged 49, joined the Group in May 2013 and was appointed as Vice President of the Group in July 2014. He was appointed as an executive Director on 30 November 2022, and was appointed as Chief Executive Officer and member of the ESG Committee on 21 March 2023. In June 2008, Mr. Liu obtained a master's degree in transportation planning and management from Beijing University of Technology. In June 2022, Mr. Liu was qualified as Senior Engineer approved by Senior Engineer Qualification Review Committee of Engineering and Technology Series of Chinese Academy of Sciences (中國科學院工程技術系列高級工程師任職資格評審委員會). From June 1996 to April 2001, Mr. Liu served as project manager of the Intelligent Transportation Division of Tsinghua Unigroup Co., Ltd. From April 2001 to July 2005, Mr. Liu served as project manager of the Urban Intelligent Transportation Division of BOCO Group Co., Ltd. From July 2005 to May 2013, at Metro Network Command Centre (TCC), Mr. Liu has served as manager of Project Department, head of TCC Technical Workshop, deputy director of Technical Engineering Department, manager of Information Centre Project Department and Deputy Chief Engineer. He also served as director and deputy general manager of BII Zhongfu from August 2019 to February 2021, as general manager of BII-TTBJ from October 2014 to November 2021, and as chairman of the board of Litmus from December 2019 to December 2021. Mr. Liu has served as the chairman of BII-TTBJ since February 2019, as deputy general manager of BII-TDBJ since March 2021, and as director of BII-TSHK since April 2021.

NON-EXECUTIVE DIRECTORS

GUAN Jifa (關繼發), Mr. Guan, aged 57, was appointed as a non-executive Director on 28 October 2015, and was appointed as the as chairman of the Board and Chairman of the Nomination Committee from 28 February 2017 to 14 December 2018. He has served as member of the Remuneration Committee since 30 March 2020, and was appointed as Chairman of the Board, Chairman of the Nomination Committee and Chairman of the ESG Committee on 30 November 2022. Mr. Guan graduated from Xi'an Institute of Metallurgy and Architecture (西安冶金建築學院) (now known as Xi'an University of Architecture and Technology) with a bachelor's degree in engineering in July 1987. He had taken a post-graduate course in the International Business School of the University of International Business and Economics from March 2002 to August 2004. He obtained a doctorate's degree in engineering from Xi'an University of Architecture and Technology in December 2008. In September 1999, Mr. Guan was qualified as Senior Engineer approved by Beijing Senior Specialised Technique Qualification Assessment Committee (北京市高級專業技術職務評審委員會). In July 2019, Mr. Guan obtained the qualifications of senior economist issued by Beijing Economic Senior Professional and Technical Qualification Assessment Committee (北京市經濟系列高級專業技術資格評審委員會). From July 1987 to August 1992, Mr. Guan worked at the Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an Engineer. From June 1994 to April 2005, Mr. Guan worked at Beijing Urban Construction No. 3 Development Co., Ltd (北京城建三建設發展有限公司) as a project manager and subsequently served as a deputy general manager. From April 2005 to January 2008, Mr. Guan acted as the deputy general manager and subsequently the general manager of Beijing Subway Construction Co., Ltd (北京地下鐵道建設公司). Mr. Guan served as the chairman of Beijing Jing Chuang Investment Ltd. (北京京創投資有限公司) from January 2008 to March 2010. Since March 2010, Mr. Guan has successively served as general manager of the Land Development Department of BII, the ultimate holding company of the Company, assistant to general manager of BII, and now serves as deputy general manager of BII. Mr. Guan also served as a non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1599) from January 2016 to March 2022. He served as the director of Beijing Metro from February 2016 to February 2017. Mr. Guan was appointed as the chairman of Suzhou Huaqi Intelligent Technology Co., Ltd. (蘇州華啟智能科技有限公司) from 28 February 2019 to 13 June 2022. He was appointed as the chairman of Shanghai Oriental Maritime Engineering Technology Co., Ltd. (上海東方海事工程技術有限公司) with effect from December 2020, and he was appointed as a non-executive director of Hua Xia Bank Co., Limited (華夏銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600015.SH) with effect from 8 October 2022.

SUN Fang (孫方), Ms. Sun, aged 49, was appointed as a non-executive Director on 27 October 2022. Ms. Sun obtained a bachelor's degree in Engineering (transportation) from Beijing Jiaotong University (北京交通大學) in July 1996. In October 2007, she was qualified as Senior Engineer in general layout and transportation specialty (總圖運輸專業) approved by Beijing Senior Specialised Technique Qualification Assessment Committee. From August 2007 to November 2016, Ms. Sun served as Deputy General Manager and Executive Deputy General Manager of TCC. From November 2016 to February 2020, Ms. Sun served as Deputy Secretary of the Party Branch and Executive Deputy General Manager of TCC. Since February 2020, Ms. Sun has served as Deputy Secretary of the Party Branch and General Manager of TCC.

CAO Mingda (曹明達), Mr. Cao, aged 31, was appointed as a non-executive Director on 11 April 2022. Mr. Cao obtained a bachelor's degree in Commerce (Finance) at Curtin University in Australia in January 2014 and a master's degree in Business Information Systems from School of Information Technology, Monash University in May 2016. Since January 2012, Mr. Cao has served as a supervisor of Beijing Maglihe Liquor Trade Co., Ltd. (北京瑪格麗河酒業商貿有限公司). From May 2016 to March 2017, Mr. Cao served as the operations manager of Beijing En'an Futong Technology Co., Ltd. (北京恩安付通科技有限公司). Mr. Cao has been the business manager of Beijing Ruyi Technology Co., Ltd. (北京如易行科技有限公司) since March 2017, and the director and deputy general manager of Dalian Yixing Technology Co., Ltd. (大連易行科技有限公司) since October 2018, and has been the director of Shenyang Metro Technology Co., Ltd. (瀋陽地鐵科技有限公司) since April 2021. Mr. Cao Mingda was appointed as the director of Hohhot Metro Technology Development Co., Ltd.* (呼和浩特地鐵科技發展有限公司) in September 2022 and was appointed as the chairman of Beijing BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司) in November 2022. Mr. Cao Mingda is the son of Mr. Cao Wei, who resigned as a non-executive Director and ceased to be vice chairman of the Board with effect from 11 April 2022.

HOU Weiwei (侯薇薇), Ms. Hou, aged 40, was appointed as a non-executive Director on 29 June 2022. Ms. Hou obtained a bachelor's degree and a master's degree in economics from Tianjin University of Finance and Economics in July 2005 and June 2009, respectively. In October 2017, Ms. Hou was qualified as Senior Economist approved by Beijing Senior Professional and Technical Qualification Assessment Committee. From July 2010 to April 2018, Ms. Hou served as Director of Financing Planning Department, senior project manager, Assistant to general manager, and deputy general manager of BII. From April 2018 to June 2020, Ms. Hou served as deputy general manager of Beijing Jiuzhou Yi Gui Environmental Technology Co., Ltd., * (北京九州一軌環境科技股份有限公司) and from November 2019 to June 2020, she also served as secretary of the board. Since June 2020, Ms. Hou has served as deputy general manager of investment and development headquarters of BII. From August 2020 to September 2021, she has served as deputy director of Finance and financing department of China Xiongan Group Co., Ltd. * (中國雄安集團有限公司) Ms. Hou was appointed as director of Beijing Beijiao New Energy Technology Co., Ltd. * (北京軌道交通技術裝備集團有限公司) in April 2022, as director of Beijing Rail Transit Technology and Equipment Group Co., Ltd. in June 2022, as director of Beijing Information Infrastructure Construction Co., Ltd. * (北京信息基礎設施建設股份有限公司) in August 2022, and as director of Beijing Bode Transportation Equipment Co., Ltd. * (北京博得交通設備有限公司) in January 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LUO Zhenbang *(CPA)* (羅振邦), Mr. Luo, aged 57, was appointed as an independent non-executive Director on 13 November 2012. He is also the chairman of the Audit Committee and was appointed as the member of the Environment, Social and Governance Committee on 29 November 2021. Mr. Luo graduated from the School of Business of Lanzhou in 1991 majoring in enterprise management. From September 2005 to July 2007, Mr. Luo took a master's degree course in management (technology and innovation) in Tsinghua University jointly organised by The Australian National University and Tsinghua University and obtained a master's degree in management from The Australian National University in July 2007. Mr. Luo has over 31 years' experience in accounting, auditing and financial management and is a Chinese Certified Public Accountant, Certified Tax Agent, Certified Public Valuer and Certified Accountant in securities and futures industry. Mr. Luo has extensive experience in the audit of listed companies in various sectors and provides business consultation services in corporate restructuring and strategic planning for initial public offerings and assets and debts restructuring. Mr. Luo had been the deputy general manager of Zhong Zhou Certified Public Accountants and Baker Tilly China Certified Public Accountants. He was an expert supervisor of China Cinda Asset Management Co., Ltd. and China Great Wall Asset Management Corporation. Mr. Luo had served as an independent director of several listed companies in the PRC, including Long March Vehicle Technology Company Limited (now known as China Aerospace Times Electronics Company Limited) (stock code: 600879) and AVIC Heavy Machinery Company Limited (stock code: 600765), each a company listed on the Shanghai Stock Exchange; Ning Xia Orient Tantalum Industry Company Limited (stock code: 000962), Wuzhong Instrument Company Limited (now known as Ningxia Yinxing Energy Company Limited) (stock code: 000862), Ningxia Zhongyin Cashmere Company Limited (stock code: 000982), Xinjiang Goldwind Science & Technology Co., Ltd.* ("Goldwind Science & Technology") (stock code: 002202), Digital China Information Service Company Ltd. (stock code: 000555), each a company listed on the Shenzhen Stock Exchange. Mr. Luo had also served as an independent non-executive director of Goldwind Science & Technology (stock code: 2208) from June 2013 to June 2019 and an independent non-executive director of Cowell e Holdings Inc. (stock code: 1415) from January 2021 to July 2021, each a company listed on the Main Board of the Stock Exchange. Mr. Luo has been (i) the independent non-executive director of China Aerospace International Holdings Limited (stock code: 31) since December 2004; and (ii) the independent non-executive director of Glory Health Industry Limited (formerly known as Guorui Properties Limited) (stock code: 2329) since July 2013, each a company listed on the Main Board of the Stock Exchange. Mr. Luo had also served as a member of the internal audit committee of Northeast Securities Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000686) from October 2002 to May 2018. Mr. Luo is the director and managing partner of BDO China Shu Lun Pan Certified Public Accountants LLP. On 16 January 2023, Mr. Luo received a warning letter dated 29 December 2022 from the Tibet Bureau of the China Securities Regulatory Commission. For details, please refer to the announcement of the Company dated 18 January 2023.

HUANG Lixin (黃立新), Mr. Huang, aged 51, was appointed as an independent non-executive Director on 9 July 2014. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Huang graduated from the Law School of Renmin University of China with a bachelor's degree in law in July 1993 and obtained a master's degree in law from the University of International Business and Economics in July 1996. Mr. Huang obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in June 2001. Mr. Huang was qualified as a lawyer in the PRC since October 1995 and was qualified to practice as a solicitor in Hong Kong in July 2003. Mr. Huang possessed extensive experience in the legal practice and had participated in numerous issues of securities, initial public offerings, post-listing financing as well as merger and acquisition projects over the past more than 25 years as a practising lawyer. Mr. Huang was an intern in the Department of Legal Affairs of the China Securities Regulatory Commission from November 1993 to February 1996. From August 1996 to July 2000, Mr. Huang was a PRC legal consultant at Herbert Smith LLP. From July 2001 to May 2007, Mr. Huang was appointed as a trainee solicitor and later a solicitor at Herbert Smith LLP. Mr. Huang is now a partner of Beijing Haiwen & Partners which he joined in May 2007.

LI Wei (李偉), Mr. Li, aged 65, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee on 11 April 2022. Mr. Li obtained a bachelor's degree in precision mechanical engineering from Hefei University of Technology (合肥工業大學) in January 1982 and a master's degree in economics from the Beijing Institute of Economics* (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) in March 1990. In May 1989, Mr. Li obtained his engineer qualification certificate and was approved by the Beijing Senior Professional and Technical Job Evaluation Committee* (北京市高級專業技術職務評審委員會) in December 1994 to qualify as a senior economist. From February 1982 to August 1987, Mr. Li worked as an engineer in the design division of Beijing Instrument Factory* (北京儀器廠設計科). From April 1990 to April 1996, Mr. Li served as the director of the Beijing Municipal Planning Commission Foreign Economics Office* (北京市計劃委員會外經處). Mr. Li also served as the general manager of the investment division of Hong Kong Asia Co., Ltd.* (香港亞聯有限公司) and a part-time lawyer at Beijing Huatong Law Firm* (北京市華通律師事務所) from May 1996 to January 2002. Mr. Li was also a consultant of MTR Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0066), from February 2002 to December 2021, and he was also a part-time consultant of Beijing MTR Corporation Limited (北京京港地鐵有限公司) from February 2006 to December 2021.

SENIOR MANAGEMENT OF THE COMPANY

WANG Xinjiang (王新江), Mr. Wang, aged 56, Vice President. He joined the Group and was appointed as vice president of our Group in March 2016. He is mainly responsible for the financial management, operation management, informatisation management, safe production management, etc.. Mr. Wang now serves as the director and vice general manager of BII-TDBJ, and directors of BII-TTBJ, BII-TSBJ. Mr. Wang was appointed as the director of Huaqi Intelligent in June 2022 and resigned as the director of BII-TSHK in June 2022.

Mr. Wang was granted with a bachelor's degree of accounting and a master's degree of accounting from Central University of Finance and Economics, and possess the professional qualification of intermediate accountant. Prior to this, he worked as chief financial officer of Veolia Transport-RATP China (威立雅交通巴黎地鐵中國有限公司), and successively served as financial directors of Shengkang Group and KCS Green Energy International (Group) Investments Co., Ltd (中馬綠能(國際)集團有限公司).

LIU Zhongliang (劉忠良), Mr. Liu, aged 49, Vice President. Mr. Liu joined the Group in March 2009 and was appointed as Vice President of the Group in September 2012. He is responsible for the management of civil communication business, in charge of BII-TSBJ, and is fully responsible for the operation and management of the company. Mr. Liu now serves as Vice General Manager of BII-TDBJ and Chairman of the Board and General Manager of BII-TSBJ and Director of Beijing City Railway.

Mr. Liu holds a PhD in Management Science from Beijing Jiaotong University and possess the professional qualification of senior engineer in Electronic Information and Urban Rail Transit. Mr. Liu has 20 years of experience in production informatization systems and management informatization in the rail transit industry, 9 years of experience in civilian communication investment and operation, and 3 years of experience in urban microcenter, hub, and land development informatization. Prior to joining our Group, Mr. Liu had worked at Anshan Municipal Commission of Development and Reform, served as a visiting scholar at the University of Maryland in the United States, and had served as Project Manager at Motorola (China) Electronics Limited, Department Manager at Samsung SDS (China) Limited, Director of Engineering and Software Development at Telvent Control System (China) Limited (now known as Schneider Electric (China) Company Limited) and China Regional Deputy General Manager at ERG Group (now known as Vix-ERG), respectively.

ZHANG Yuekun (張月坤), Mr. Zhang, aged 45, Vice President. He joined the Group in June 2021 and was appointed as Vice President mainly responsible for scientific research technology and scientific research project management, product planning, overall management of product research and development, intellectual property management, recruitment management, etc.. Mr. Zhang is currently Deputy General Manager of BII, Director of Zhilian Youdao, Director of BII-TTBJ and Chairman of the Board of Litmus, and has been Director of Huaqi Intelligent since June 2022.

Mr. Zhang obtained a master's degree of arts from the University of Reading, a master's degree of science from the University of Warwick, and possess the professional qualification of senior engineer. He joined BII in 2005 and took the position of the project manager, senior supervisor and vice director of TCC technical room of the technical engineering department of Metro Network, vice director and vice general manager of the technical engineering department of Metro Network.

XIAO Zheng (肖征), Mr. Xiao, aged 36, Vice President. Mr. Xiao joined the Group in March 2020 and was appointed as Vice president, mainly responsible for the Group's equity investment business, equity financing and post-investment management, etc. Mr. Xiao now serves as Deputy General Manager of BII-TDBJ, Director of Litmus, Chairman of BII Xinan, Director of Metro Science and Technology, and Director of Huaqi Intelligent.

Mr. Wang was granted with a bachelor's degree in Financial Management from the Central University of Finance and Economics. Prior to joining the Group, Mr. Xiao had worked in KPMG as Assistant Manager and served as Analyst in the Research Department of China International Capital Corporation. He joined BII Group in 2015 and served as Senior Project Manager, Assistant to Department General Manager, Deputy General Manager of Capital Operation Department.

Zhao Jingyuan (趙婧媛), Ms. Zhao, aged 43, Deputy Secretary of the General Party Branch, was the Vice President of the Group from April 2016 to November 2021, and was appointed as Deputy Secretary of the General Party Branch in November 2021. She was mainly responsible for party management, human resources, administration affairs, legal affairs and internal control and auditing of the Group. Ms. Zhao resigned as a director of CCRTT Investment in January 2022.

Ms. Zhao obtained a bachelor's degree of arts and a master's degree of history from Liaoning University. She was awarded with the practicing qualification as senior human resources administrator. Ms. Zhao owns over ten years of experience in human resources management. Prior to joining the Group, Ms. Zhao worked in Beijing Zhongdian Feihua Communication Co., Ltd. (中電飛華通信股份有限公司), a company held by State Grid Information and Communication (國網信通), as manager of the human resources department. She joined BII in 2011 and took the position of senior director of the human resources department of BII, director of the human resources and administration department of BII-TTBJ, assistant to general manager and deputy general manager of the human resources department of BII.

COMPANY SECRETARY

CHEUNG Yuet Fan (張月芬), Ms. Cheung, was appointed as Secretary of the Company on 29 May 2018. Ms. Cheung is currently Director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Cheung is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators"). Ms. Cheung has over 30 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies.

DIRECTORS' REPORT

The Directors are pleased to present their report for FY 2022:

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of material subsidiaries are set out in Note 14 to the consolidated financial statements. None of the subsidiaries of the Company has issued debt securities.

As far as the Company is aware, during FY 2022, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RESULTS

The Group's profit for FY 2022 and the state of affairs of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 81 to 160. The Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the Shareholders, the Board recommended the declaration of a final dividend of HK$0.026 per share for FY 2022 (FY 2021: HK$0.027 per share). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Wednesday, 5 July 2023, subject to the approval of the shareholders of the Company at the 2023 AGM. It is expected that the final dividend will be paid on or before Friday, 22 September 2023.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Tuesday, 27 June 2023. Shareholders should refer to details regarding the 2023 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 AGM to be held on Tuesday, 27 June 2023, the register of members of the Company will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2023 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 June 2023 (Hong Kong time).

For determining the entitlement to the proposed final dividend (subject to the approval by the Shareholders at the 2023 AGM), the register of members of the Company will be closed from Monday, 3 July 2023 to Wednesday, 5 July 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 June 2023 (Hong Kong time).

BUSINESS REVIEW

The business review of the Company for FY 2022 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report which form part of the Directors' Report. Details of credit, liquidity, interest rate and foreign exchange risks in the course of business are set out in Note 29 to the financial statements. The details of the Group's environmental, social and governance practices as well as the relationship and discussion with employees, customers, suppliers and other stakeholders are listed in the "2022 Environmental, Social and Governance Report" separately issued by the Group.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for FY 2022 are set out in Note 27 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2022, the Company's reserves available for distribution amounted to approximately HK$1,662.2 million (31 December 2021: HK$1,718.8 million). Such amount includes the Company's share premium.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for FY 2022 are set out in Note 11 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements is set out on page 6 in this annual report. This summary does not form part of the audited financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For FY 2022, the purchases and sales percentage from the major customers and suppliers of the Group are set out below:

		Percentage of total purchases
(1)	Purchases	
	– the largest supplier	6.51%
	– the five largest suppliers combined	23.08%

		Percentage of total sales
(2)	Sales	
	– the largest customer	12.14%
	– the five largest customers combined	37.49%

Save as disclosed under the sections headed "Connected transactions" and "Continuing connected transactions" in this Directors' Report, as far as the Directors are aware, none of the Directors or any of their close associates, or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for FY 2022.

DIRECTORS

The Directors in office at the date of 31 December 2022 were:

Executive Directors

Ms. Xuan Jing*(Note 1)* *(Chief Executive Officer)*
Mr. Liu Yu*(Note 2)*

Non-executive Directors

Mr. Guan Jifa*(Note 3)* *(Chairman)*
Ms. Sun Fang*(Note 4)*
Mr. Cao Mingda*(Note 5)*
Ms. Hou Weiwei*(Note 6)*

Independent non-executive Directors

Mr. Luo Zhenbang *(CPA)*
Mr. Huang Lixin
Mr. Li Wei*(Note 7)*

1. Ms. Xuan Jing resigned as an executive Director and a chief executive officer with effect from 21 March 2023.
2. Mr. Liu Yu was appointed as an executive Director with effect from 30 November 2022 and was appointed as a chief executive officer with effect from 21 March 2023.
3. Mr. Zhang Yanyou resigned as a non-executive Director and the chairman of the Board with effect from 30 November 2022. Mr. Guan Jifa was appointed as the chairman of the Board with effect from 30 November 2022.
4. Mr. Zheng Yi resigned as a non-executive Director with effect from 27 October 2022. Ms. Sun Fang was appointed as a non-executive Director with effect from 27 October 2022.
5. Mr. Cao Wei resigned as a non-executive Director with effect from 11 April 2022. Mr. Cao Mingda was appointed as a non-executive Director with effect from 11 April 2022.

6. Ms. Gu Xiaohui resigned as a non-executive Director with effect from 29 March 2022. Ms. Hou Weiwei was appointed as a non-executive Director with effect from 29 June 2022.

7. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022.

According to Article 16.18 of the Articles, Mr. Luo Zhenbang and Mr. Huang Lixin will retire as Directors by rotation at the 2023 AGM. According to Article 16.2 of the Articles, Mr. Liu Yu who was appointed on 30 November 2022, Ms. Sun Fang who was appointed on 27 October 2022, and Ms. Hou Weiwei who was appointed on 29 June 2022 shall hold office until the conclusion of the 2023 AGM. All of the retiring Directors, being eligible, will offer themselves for re-election as Directors at the 2023 AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of their independence during FY 2022 in accordance with the requirements set out in Rule 3.13 of the Listing Rules and all independent non-executive Directors are considered to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 24 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the 2023 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group for FY 2022 are set out in Notes 8 and 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

As at 31 December 2022, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement. The Company adopted a share option scheme (the "**Share Option Scheme**") as an incentive to Directors and eligible employees, details of the scheme is set out in the section headed "Share Option Scheme" of this Directors' Report. As at the date of this annual report, the Share Option Scheme has expired.

RELATIONSHIP WITH EMPLOYEES

Employees are the Group's most valuable assets. The Group actively improves the human resources system and corporate culture construction, protects the rights and interests of employees, pays attention to the reasonable demands of employees, builds a comprehensive salary system, provides high-quality training and career development opportunities, and organises various activities for employees. The Group has established good relationship with its employees throughout the year.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the senior management of the Company for FY 2022 is within the range of HK$1,000,001 to HK$2,000,000.

SHARE OPTION SCHEME

The Share Option Scheme was approved for adoption pursuant to a written resolution of all of the Shareholders passed on 8 December 2011 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

The Share Option Scheme was revised on 24 September 2013. It would remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Company. As at the date of this annual report, the Share Option Scheme has expired.

The share options granted under the Share Option Scheme may be exercised from the date on which the options are granted to such date as the Board may determine and specify in the offer letter. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

Unless otherwise determined by the Directors or stated in the offer of the grant of options to an eligible participant, there is no vesting period or minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price of the options granted under the Share Option Scheme may be determined by the Board at its absolution discretion but in any event should be at least the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

Subject to the terms of the Share Option Scheme, the Board may, at its absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; and (b) any person who have contributed or may contribute to the Group. During FY 2022, no share options were granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time.

The total number of shares of the Company to be issued upon exercise of all options granted and to be granted (including both exercised and outstanding options) in any 12-month period to any eligible participant shall not exceed 1% of the total issued shares of the Company unless (i) a circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.

Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

As of 5 December 2019, the share options granted by the Company had all lapsed.

As at 1 January 2022 and 31 December 2022, there were no outstanding share options under the Share Option Scheme.

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed under the section headed "Continuing connected transactions" below and disclosed in Note 30 to the consolidated financial statements under the heading "Material related party transactions", (i) no transaction, arrangement, or contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at 31 December 2022 or at any time during FY 2022; (ii) no transaction, arrangement, or contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries; and (iii) no transaction, arrangement, or contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

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

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	Approximate percentage of issued share capital of the Company/ associated corporation
Ms. Xuan Jing	The Company	Beneficial owner	4,032,000	0.19%

Save as disclosed above, as at 31 December 2022, so far as was known to the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2022, so far as was known to the Directors or the chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate percentage of issued share capital of the Company
BII HK	Beneficial owner (Note 1)	1,157,634,900	55.20%
BII	Interest of controlled corporation (Note 1)	1,157,634,900	55.20%
More Legend	Beneficial owner (Note 2)	244,657,815	11.66%
Mr. Cao Wei ("**Mr. Cao**")	Interest of controlled corporation (Note 2)	244,657,815	11.66%
	Beneficial owner	800,000	0.04%
			11.70%
Ms. Wang Jiangping ("**Ms. Wang**")	Interest of spouse (Note 3)	245,457,815	11.70%
China Property and Casualty Reinsurance Company Ltd.* (中國財產再保險有限責任公司)	Beneficial owner (Note 4)	140,737,534	6.71%
China Reinsurance (Group) Corporation* (中國再保險(集團)股份有限公司)	Interest of controlled corporation (Note 4)	146,493,534	6.99%
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	Interest of controlled corporation (Note 4)	146,493,534	6.99%

Notes:

1. BII HK is a wholly-owned subsidiary of BII, a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. By virtue of the SFO, BII is deemed to be interested in the 1,157,634,900 shares of the Company owned by BII HK.

2. These shares are held by More Legend, and More Legend is wholly owned by Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 244,657,815 shares of the Company which More Legend owns. Mr. Cao is the sole director of More Legend.

3. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,457,815 shares of the Company which Mr. Cao is interested in.

4. China Property and Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd. which hold 140,737,534 shares and 5,756,000 shares of the Company, respectively, are each a wholly-owned subsidiary of China Reinsurance (Group) Corporation, which is in turn owned as to 71.56% by Central Huijin Investment Ltd. By virtue of the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in the 140,737,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd. and 5,756,000 shares of the Company owned by China Life Reinsurance Company Ltd.

* *For identification purposes only*

Save as disclosed above, as at 31 December 2022, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for securities transactions regarding Directors' and employees' dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout FY 2022. No incident of non-compliance with the Securities Dealing Code by the employees was noted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during FY 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" and in the paragraph headed "Share Option Scheme", at no time during FY 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

CONNECTED TRANSACTION

Particulars of the non-exempt connected transaction is set out below:

Acquisition of 3.7% equity interests in Huaqi Intelligent

Reference is made to the announcement of the Company dated 16 December 2022. On 16 December 2022 (after trading hours), BII Zhongfu, Huaqi Intelligent, Changxing Tianyue and Changxing Xiangyue entered into an equity transfer agreement (the "**Equity Transfer Agreement**") pursuant to which BII Zhongfu, a wholly-owned subsidiary of the Company, had conditionally agreed to acquire and Changxing Tianyue and Changxing Xiangyue had conditionally agreed to sell 3.7% of equity interests in Huaqi Intelligent, at the consideration of not more than RMB42,510,600 (equivalent to approximately HK$47,588,000) to be payable by BII Zhongfu in two payments in accordance with the terms of the Equity Transfer Agreement. Upon completion, the Company's indirect equity interests in Huaqi Intelligent increased from 95.0% to 98.7%. The remaining 1.3% equity interests in Huaqi Intelligent was owned by Changxing Tianyue.

As at the date of the Equity Transfer Agreement, approximately 31.9% of the equity interests in Changxing Tianyue and approximately 99.7% of the equity interests in Changxing Xiangyue were owned by Mr. Zhong Hua (鍾華) ("**Mr. Zhong**"), a director of Huaqi Intelligent, an indirect non-wholly owned subsidiary of the Company. Accordingly, Changxing Tianyue and Changxing Xiangyue are an associate of Mr. Zhong, and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Thus, the equity transfer would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 16 December 2022.

CONTINUING CONNECTED TRANSACTIONS

Particulars of the non-exempt continuing connected transactions are set out below:

1. New framework service agreement entered into between the Company and BII

Reference is made to the announcement of the Company dated 17 December 2021 and the circular of the Company dated 11 February 2022. The Company and BII entered into the New BII Framework Service Agreement ("**New BII Framework Service Agreement**") on 17 December 2021 for a period from 1 January 2022 to 31 December 2024 (both days inclusive).

As at 17 December 2021, BII held approximately 55.20% of the shares of the Company through its wholly-owned subsidiary (i.e. BII HK), and therefore, BII is the ultimate holding company and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New BII Framework Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the New BII Framework Service Agreement, during the term of which, provided that (i) a member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate on an arm's length basis regarding the commercial terms to be set out in the individual agreements for services, the Group agrees to provide BII, its subsidiaries and/or its associates during the term of the New BII Framework Service Agreement with: Consulting and technical support services, IT support services, technical services, technological development, software development, software procurement, hardware design and development, hardware procurement, system integration, system procurement, operation and maintenance, construction of projects and other types of ancillary services agreed by the parties in writing from time to time.

Pursuant to the New BII Framework Service Agreement, the Group would enter into individual agreements for the provision of services with BII, its subsidiaries and/or its associates. Pursuant to the New BII Framework Service Agreement, the terms of the individual agreements to be entered into (including service fees) would be negotiated on an arm's length basis between the parties and would be determined by the parties from time to time in the ordinary course of business on normal commercial terms. The prices of the transactions contemplated under the New BII Framework Service Agreement would be determined by government-prescribed price or government-guided price or tender process, or market price or agreed price (as the case may be), depending on the method set out in the circular of the Company dated 11 February 2022. Details of the New BII Framework Service Agreement and the relevant continuing connected transactions were set out in the announcement and the circular of the Company dated 17 December 2021 and 11 February 2022, respectively.

As (i) BII is the ultimate controlling shareholder of the Company; and (ii) BII, its subsidiaries and/or its associates have a long-standing business relationship with the Group, the Directors are of the view that BII, its subsidiaries and/or its associates are reliable business partners and that further business cooperation is beneficial to the Group and provides a stable source of income for the Group.

For FY 2022, the total transaction amount carried out under the New BII Framework Service Agreement amounted to approximately RMB239.71 million (equivalent to approximately HK$277.83 million).

2. Framework service agreement entered into between the Company and Information Development

Reference is made to the announcement of the Company dated 17 December 2021 and the circular of the Company dated 11 February 2022. The Company and Information Development entered into the Information Development Framework Service Agreement ("**Information Development Framework Service Agreement**") on 17 December 2021 for a period from 1 January 2022 to 31 December 2024 (both days inclusive).

Reference is made to the announcement of the Company dated 17 December 2021, as at 19 June 2019, approximately 51.61% of the existing share capital of Information Development was owned by Beikong Telecom, which is ultimately and beneficially owned by Mr. Cao Wei (曹瑋) ("**Mr. Cao**"), an Executive Director and Vice Chairman of the Company at the relevant time. As at the date of this annual report, Mr. Cao ceased to be a Director. Accordingly, Information Development was an associate of Mr. Cao and therefore was a connected person of the Company under Chapter 14A of the Listing Rules at the relevant time. Accordingly, the transactions contemplated under the Information Development Framework Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules at the relevant time.

Pursuant to the Information Development Framework Service Agreement, during the term of which, provided that (i) a member of Information Development is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate on an arm's length basis regarding the commercial terms to be set out in the individual agreements for services, Information Development, its subsidiaries and/or its associates agree to provide the Group during the term of the Information Development Framework Service Agreement with: Maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications, and other types of auxiliary services agreed by the parties in writing from time to time.

Pursuant to the Information Development Framework Service Agreement, the Group would enter into individual agreements for the provision of services with Information Development, its subsidiaries and/or its associates. Pursuant to the Information Development Framework Service Agreement, the terms of the individual agreements to be entered into (including service fees) would be negotiated on an arm's length basis among the parties and would be determined by the parties from time to time in the ordinary course of business on normal commercial terms. The prices of the transactions contemplated under the Information Development Framework Service Agreement would be determined by government-prescribed price, or government-guided price, or tender process, or the market price, or the agreed price (as the case may be), depending on the method set out in the circular of the Company dated 11 February 2022. Details of the Information Development Framework Service Agreement and the relevant continuing connected transactions were set out in the announcement and the circular of the Company dated 17 December 2021 and 11 February 2022, respectively.

As Information Development, its subsidiaries and/or its associates have a long-standing business relationship with the Group, the Directors are of the view that Information Development, its subsidiaries and/or its associates are reliable business partners and that further business cooperation is beneficial to the steady development of the Group.

For FY 2022, the total transaction amount carried out under the Information Development Framework Service Agreement amounted to approximately RMB42.45 million (equivalent to approximately HK$49.20 million).

3. Tenancy agreements in relation to leasing of properties entered into with Metro Network for the year ended 31 December 2022

On 28 December 2021, Metro Network entered into a tenancy agreement ("2022 First Metro Network Tenancy Agreement") with Litmus, whereby Litmus leased certain properties from Metro Network for a term of 365 days from 1 January 2022 to 31 December 2022.

On 5 November 2021, Metro Network entered into a tenancy agreement ("2021 Fourth Metro Network Tenancy Agreement") with BII-TDBJ and BII-TSBJ, whereby BII-TDBJ and BII-TSBJ leased certain properties from Metro Network for a term of one year from 1 October 2021 to 30 September 2022. On 28 April 2022, BII-TDBJ and BII-TTBJ entered into a lease termination agreement for the second lease contract of Metro Network in 2021 ("2022 First Metro Network Tenancy Termination Agreement") with Metro Network, respectively, whereby both parties agreed to terminate 2021 Second Metro Network Tenancy Agreement, effective from 1 May 2022. BII-TDBJ, BII-TSBJ and Litmus were collectively referred to as the "2022 Tenants". The "2022 First Metro Network Tenancy Agreement", "2021 Fourth Metro Network Tenancy Agreement", and "2022 First Metro Network Tenancy Termination Agreement" were collectively referred to as the "2022 Metro Network Tenancy Agreements".

The annual cap for the transactions contemplated under the 2022 Metro Network Tenancy Agreements for the year ended 31 December 2022 was RMB3,102,693.75 (equivalent to approximately HK$3,785,286.38), which was calculated with reference to the annual gross rent payable by the 2022 Tenants to Metro Network pursuant to the 2022 Metro Network Tenancy Agreements. The terms of the 2022 Metro Network Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The Directors are of the view that the transactions contemplated under the 2022 Metro Network Tenancy Agreements represent a rare opportunity for the Group to continue its constant and established operation in Beijing in prime business locations without substantial costs incurred in acquiring properties for office use. Details of the transactions contemplated under the 2022 Metro Network Tenancy Agreements were set out in the announcements of the Company dated 5 November 2021, 28 December 2021 and 28 April 2022.

As at 5 November 2021, 28 December 2021 and 28 April 2022, BII HK held 1,157,634,900 shares in the Company, accounting for approximately 55.20% of the existing issued share capital of the Company at that time. BII HK is a controlling shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and Metro Network. Accordingly, Metro Network is an associate of BII and BII HK, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2022 Metro Network Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

The total amount of the transactions under the 2022 Metro Network Tenancy Agreements in FY 2022 was approximately RMB1.6 million (equivalent to approximately HK$1.8 million).

4. Tenancy agreement in relation to leasing of properties entered into with BII Technical for the year ended 31 December 2022

Reference is made to the announcement of the Company dated 28 September 2021 that BII-TDBJ and BII Technical entered into a tenancy agreement (“2021 Technical Tenancy Agreement”), whereby BII-TDBJ agreed to continue leasing the property from BII Technical for a term of one year from 1 October 2021 to 30 September 2022.

The annual cap for the transactions contemplated under the 2021 Technical Tenancy Agreement for the year ended 31 December 2022 was RMB177,807.63 (equivalent to approximately HK$215,147.23), which was the annual rent payable by BII-TDBJ to BII Technical. The Directors were of the opinion that the 2021 Technical Tenancy Agreement was beneficial for the Group to continue strengthening the cooperation with BII Technical and was entered into in the ordinary and usual course of business of the Group. The 2021 Technical Tenancy Agreement (together with the rental payment) has been entered into on normal commercial terms after arm’s length negotiations between the parties, and the terms of the transactions contemplated under the 2021 Technical Tenancy Agreement (together with the rental payment) were fair and reasonable and in the interests of the Company and its shareholders as a whole. Details of the 2021 Technical Tenancy Agreement were set out in the announcement of the Company dated 28 September 2021.

As at 28 September 2021, BII HK held 1,157,634,900 shares in the Company, accounting for approximately 55.20% of the existing issued share capital of the Company. BII HK is a controlling shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and BII Technical. Accordingly, BII Technical is an associate of BII and BII HK and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Technical Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules.

The total amount of the transactions under 2021 Technical Tenancy Agreement in FY 2022 was approximately RMB94,000 (equivalent to approximately HK$109,000).

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*, issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor’s findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with the Listing Rules 14A.56. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in Note 30 to the consolidated financial statements. Except for those described under the paragraphs headed "Continuing connected transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save for the events described under the paragraphs headed "Significant investments held and future plans" and "Final dividend" in this annual report, there is no other material events after the reporting period as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during FY 2022 and until the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

DONATIONS

During FY 2022, the donation of the Group was approximately HK$67,900 (FY 2021: HK$1,287,100).

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed on pages 35 to 36 of this annual report, no equity-linked agreements were entered into by the Company, or existed during FY 2022.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group recognises its responsibility to protect the environment when conducting its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. Details of the Group's environmental, social, and governance practices are set out in the "2022 ESG Reporting" separately published by the Group.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

1. Ms. Xuan Jing, executive Director, was appointed as the chairman of the Board of Huaqi Intelligent Technology with effect from 13 June 2022. She resigned as an executive Director and a chief executive officer with effect from 21 March 2023. On that day, she also resigned as a member of the ESG Committee.

2. Mr. Liu Yu, executive Director, was appointed as an executive Director with effect from 30 November 2022 and was appointed as a chief executive officer and a member of the ESG Committee with effect from 21 March 2023. In June 2022, Mr. Liu was qualified as a Senior Engineer approved by Senior Engineer Qualification Review Committee of Engineering and Technology Series of Chinese Academy of Sciences.

3. Mr. Zhang Yanyou, non executive Director, resigned as a non-executive Director with effect from 30 November 2022. On that day, he also resigned as the Chairman of the Board, the chairman of the Nomination Committee and the chairman of the ESG Committee.

4. Mr. Guan Jifa, non-executive Director, was appointed as the Chairman of the Board, the chairman of the Nomination Committee and the chairman of the ESG Committee with effect from 30 November 2022. He resigned as a the non-executive Director 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), a company listed on the Main Board of the Stock Exchange (stock code: 1599) with effect from 11 March 2022 and resigned as the chairman of Huaqi Intelligent with effect from 13 June 2022. He was also appointed as a non-executive director of Hua Xia Bank Co. Limited* (華夏銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600015.SH) with effect from 8 October 2022.

5. Mr. Cao Wei, non executive Director, re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. He resigned as the non-executive Director and the Vice Chairman of the Board with effect from 11 April 2022.

6. Mr. Zheng Yi, non-executive Director, resigned as a non-executive Director with effect from 27 October 2022.

7. Ms. Sun Fang, non-executive Director, was appointed as the non-executive Director with effect from 27 October 2022.

8. Ms. Gu Xiaohui, non-executive Director, resigned as a non-executive Director with effect from 29 March 2022.

9. Mr. Cao Mingda, non-executive Director, was appointed as a non-executive Director with effect from 11 April 2022. Mr. Cao was appointed as the director of Hohhot Metro Technology Development Co., Ltd.* (呼和浩特地鐵科技發展有限公司) in September 2022 and was appointed as the chairman of Beijing BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司) in November 2022.

10. Ms. Hou Weiwei, non-executive Director, was appointed as a non-executive Director with effect from 29 June 2022. Ms. Hou was appointed as the director of Beijing Beijiao New Energy Technology Co., Ltd.* (北京北交新能科技有限公司) in April 2022, as the director of Beijing Rail Transit Technology and Equipment Group Co., Ltd. (北京軌道交通技術裝備集團有限公司) in June 2022, as the director of Beijing Information Infrastructure Construction Co., Ltd. (北京信息基礎設施建設股份有限公司) in August 2022, and as the director of Beijing Bode Transportation Equipment Co., Ltd. (北京博得交通設備有限公司) in January 2023.

11. Mr. Bai Jinrong, independent non-executive Director, resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

12. Mr. Li Wei, independent non-executive Director, was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

13. Mr. Luo Zhenbang, independent non-executive Director, received a warning letter dated 29 December 2022 from the Tibet Office of the China Securities Regulatory Commission on 16 January 2023. For details, please refer to the announcement of the Company dated 18 January 2023.

AUDITORS

The consolidated financial statements for FY 2022 were audited by KPMG and they have issued an unqualified opinion. KPMG shall retire at the 2023 AGM. An ordinary resolution to appoint an auditor and to authorise the Directors to fix the auditors' remuneration will be proposed at the 2023 AGM.

By Order of the Board
BII Railway Transportation Technology Holdings Company Limited
Liu Yu
Executive Director
Chief Executive Officer

Hong Kong, 27 March 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report for FY 2022.

CORPORATE GOVERNANCE PRACTICES

The Board believes that maintaining high standard of corporate governance practices is crucial to safeguarding shareholders' and stakeholders' interests, formulating business strategies and policies as well as enhancing corporate value, transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**CG Code**"). Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices and has devised its own code of corporate governance based on the major principles and practices as set out in the CG Code. For FY 2022, the Company was in compliance with all the CG Code.

BOARD OF DIRECTORS

The Company is headed by an effective Board which makes strategic decisions and supervises the achievement of the Group's business and performance. The Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his or her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board's responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

On 31 December 2022, the Board had nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. Details of the Board composition are set out below:

Executive Directors

Ms. Xuan Jing *(Note 1)*	(Chief Executive Officer and member of the ESG Committee)
Mr. Liu Yu *(Note 2)*	

Non-executive Directors

Mr. Guan Jifa *(Note 3)*	(Chairman, member of the Remuneration Committee, chairman of the Nomination Committee and chairman of the ESG Committee)
Ms. Sun Fang *(Note 4)*	
Mr. Cao Mingda *(Note 5)*	
Ms. Hou Weiwei *(Note 6)*	

Independent non-executive Directors

Mr. Luo Zhenbang	(Chairman of the Audit Committee and member of the ESG Committee)
Mr. Huang Lixin	(Member of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee)
Mr. Li Wei *(Note 7)*	(Chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)

Note:

1. Ms. Xuan Jing resigned as an executive Director with effect from 21 March 2023. On that day, she also resigned as a chief executive officer and a member of the ESG Committee.

2. Mr. Liu Yu was appointed as an executive Director with effect from 30 November 2022 and was appointed as a chief executive officer and a member of the ESG Committee with effect from 21 March 2023.

3. Mr. Zhang Yanyou resigned as a non-executive Director with effect from 30 November 2022. On that day, he also resigned as the Chairman of the Board, the chairman of the nomination committee and the chairman of the ESG committee. Mr. Guan Jifa was appointed as the Chairman of the Board, the chairman of the Nomination Committee and the chairman of the ESG Committee with effect from 30 November 2022.

4. Mr. Zheng Yi resigned as a non-executive Director with effect from 27 October 2022. Ms. Sun Fang was appointed as a non-executive Director with effect from 27 October 2022.

5. Mr. Cao Wai was re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. He resigned as a non-executive Director with effect from 11 April 2022. On that day, he also resigned as the Vice Chairman of the Board. Mr. Cao Mingda was appointed as a non-executive Director with effect from 11 April 2022.

6. Ms. Gu Xiaohui resigned as a non-executive Director with effect from 29 March 2022. Ms. Hou Weiwei was appointed as a non-executive Director with effect from 29 June 2022.

7. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and senior management" on pages 24 to 28 of this annual report. None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are segregated and held by Mr. Guan Jifa[(Note 1)] and Mr. Liu Yu[(Note 2)], respectively, to ensure their respective independence, accountability and responsibility. The Chairman provides leadership and is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

Note:

1. Mr. Zhang Yanyou resigned as the Chairman of the Board with effect from 30 November 2022 as he would like to spend more time on his other commitments. Following the resignation of Mr. Zhang Yanyou, Mr. Guan Jifa had been appointed as the Chairman of the Board with effect from 30 November 2022.

2. Ms. Xuan Jing resigned as an executive Director and the chief executive officer with effect from 21 March 2023 as she would like to spend more time on her other commitments. Following the resignation of Ms. Xuan Jing, Mr. Liu Yu had been appointed as the chief executive officer with effect from 21 March 2023.

Independent non-executive Directors

The Board consists of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during FY 2022.

The Company has received written annual confirmation from each independent non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which can be terminated by either party by giving to the other not less than one month's prior written notice. Each of the non-executive Directors (including independent non-executive Directors) has entered into a letter of appointment with the Company for a fixed term of three years which can be terminated by the Company by not less than three months' prior written notice.

According to Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 16.3 of the Articles, the Company may from time to time increase or reduce the number of Directors in general meeting by ordinary resolution but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Companies Act Cap. 22 of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election thereat.

According to Article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent views and judgement on corporate actions and operations.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reviews and evaluates the independence of the Board on an annual basis and ensures that the Board is provided with independent views and opinions by adopting a series of methods and approaches such as ensuring the proportion of independent non-executive Directors on the Board and the Board committees, regularly evaluating the independence of all non-executive Directors, striving to ensure that all Directors have equal opportunities and channels to communicate and express their independent views and opinions to the Board and the Board committees, etc..

During FY 2022, the Board reviewed the effectiveness of Board independence mechanisms and the results were satisfactory.

BOARD MEETINGS

The Board meets regularly (at least four times a year) to discuss and approve the overall strategies and policies, monitor the financial and operational performance, review corporate governance practices, consider and approve the financial results as well as other significant matters of the Group. Additional meetings are convened as and when the Board considers necessary. In case where conflict of interest arises involving a substantial shareholder or a Director, such matter will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will deal with such issues involving conflict of interest.

A tentative schedule for regular Board meetings for each year is provided to Directors at the beginning of each calendar year. Notice of at least 14 days will be given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors at least 3 days before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

All Directors have access to Board papers and related materials, and are provided with adequate information in a timely manner, which enable the Board to make an informed decision on matters placed before it.

Four regular Board meetings and seven extraordinary Board meetings were held during FY 2022. The attendance record of each Director at the Board meetings is set out below:

Name of Directors	Meetings attended/Number of meetings Regular Board meeting	 Extraordinary Board Meeting
Executive Directors		
Ms. Xuan Jing(Note 1) *(Chief Executive Officer)*	4/4	7/7
Mr. Liu Yu(Note 2) *(Chief Executive Officer)*	1/1	NA
Non-executive Directors		
Mr. Zhang Yanyou(Note 3) *(Chairman)*	3/3	7/7
Mr. Guan Jifa(Note 4) *(Chairman)*	4/4	7/7
Mr. Cao Wei(Note 5)	1/1	2/2
Mr. Zheng Yi(Note 6)	3/3	6/6
Ms. Sun Fang(Note 7)	1/1	1/1
Ms. Gu Xiaohui(Note 8)	1/1	1/1
Mr. Cao Mingda(Note 9)	3/3	5/5
Ms. Hou Weiwei(Note 10)	3/3	3/3
Independent Non-executive Directors		
Ms. Bai Jinrong(Note 11)	1/1	2/2
Mr. Luo Zhenbang *(CPA)*	4/4	7/7
Mr. Huang Lixin	4/4	7/7
Mr. Li Wei(Note 12)	3/3	5/5

Note:

1. Ms. Xuan Jing resigned as an executive Director and a chief executive officer with effect from 21 March 2023. On that day, she also resigned as a member of the ESG committee.

2. Mr. Liu Yu was appointed as an executive Director with effect from 30 November 2022 and was appointed as a chief executive officer and a member of the ESG committee with effect from 21 March 2023.

3. Mr. Zhang Yanyou resigned as a non-executive Director with effect from 30 November 2022. On that day, he also resigned as the Chairman of the Board, the chairman of the nomination committee and the chairman of the ESG committee.

4. Mr. Guan Jifa was appointed as the Chairman of the Board, the chairman of the nomination committee and the chairman of the ESG committee with effect from 30 November 2022.

5. Mr. Cao Wei was re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. He resigned as a non-executive Director with effect from 11 April 2022. On that day, he resigned as the vice chairman of the Board.

6. Mr. Zheng Yi resigned as a non-executive Director with effect from 27 October 2022.

7. Ms. Sun Fang was appointed as a non-executive Director with effect from 27 October 2022.

8. Ms. Gu Xiaohui resigned as a non-executive Director with effect from 29 March 2022.

9. Mr. Cao Mingda was appointed as a non-executive Director with effect from 11 April 2022.

10. Ms. Hou Weiwei was appointed as a non-executive Director with effect from 29 June 2022.

11. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

12. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

Apart from regular Board meetings and extraordinary Board meetings, the Chairman of the Board also held meeting with independent non-executive Directors without the presence of other Directors during FY 2022.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the aforesaid committees have been posted on the Company's website and the website of the Stock Exchange and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Board Composition" in this Corporate Governance Report.

Audit Committee

The Company established the Audit Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. On 25 December 2018, the Board adopted the further revised written terms of reference which became effective on the same date. The written terms of reference of the Audit Committee were adopted in compliance with code provisions D.3.3 and D.3.7 of the CG Code.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Luo Zhenbang (chairman of the Audit Committee), Mr. Huang Lixin and Mr. Li Wei.

The primary duties of the Audit Committee, among other things, are (i) to make recommendations to the Board on the scope of audit and appointment, re-appointment and removal of external auditor; (ii) review the financial statements and material advice in respect of financial reporting; (iii) oversee internal control and risk management systems of the Company; and (iv) review the effectiveness of the internal audit function and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held four meetings during FY 2022 to, among others, review the interim and annual financial results and reports of the Group and significant issues on financial reporting, operational and compliance controls. The Audit Committee also reviewed the effectiveness of the Group's risk management and internal control systems, internal audit function and compliance procedures, and considered matters regarding appointment of external auditors, relevant scope of works and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without presence of the executive Directors.

The attendance record of each member at the Audit Committee meetings is set out below:

	Meetings attended/ Number of meetings
Mr. Luo Zhenbang *(CPA)* *(chairman of the Audit Committee)*	4/4
Mr. Bai Jinrong*(Note 1)*	1/1
Mr. Huang Lixin	4/4
Mr. Li Wei*(Note 2)*	3/3

Note:

1. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

2. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

Remuneration Committee

The Company established the Remuneration Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. On 25 December 2018 and 26 October 2022, the Board respectively adopted the revised written terms of reference which became effective on the same date. The written terms of reference of the Remuneration Committee was adopted in compliance with code provision E.1.2 of the CG Code.

The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Li Wei (chairman of the Remuneration Committee) and Mr. Huang Lixin, and one non-executive Director, namely Mr. Guan Jifa.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management and overall remuneration policy and structure relating to all Directors and senior management of the Group, and establish transparent procedures for developing such remuneration policy and structure and to ensure that none of the Directors or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held seven meetings during FY 2022 to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. Details of the remuneration of senior management by band are set out in Note 9 to the consolidated financial statements in this annual report.

The attendance record of each member at the Remuneration Committee meeting is set out below:

	Meetings attended/ Number of meetings
Mr. Bai Jinrong(Note 1) *(chairman of the Remuneration Committee)*	2/2
Mr. Li Wei(Note 2) *(chairman of the Remuneration Committee)*	5/5
Mr. Guan Jifa	7/7
Mr. Huang Lixin	7/7

Note:

1. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

2. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

Nomination Committee

The Company established the Nomination Committee on 8 December 2011 with written terms of reference in compliance with code provisions B.3.1 of the CG Code. On 25 December 2018, the Board adopted the revised written terms of reference which became effective on the same date. The Nomination Committee adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 25 December 2018.

The Nomination Committee currently consists of one non-executive Director, namely Mr. Guan Jifa (chairman of the Nomination Committee) and two independent non-executive Directors, namely Mr. Huang Lixin and Mr. Liwei.

The primary duties of the Nomination Committee are to review the structure, size, diversity and composition of the Board on a regular basis; develop and formulate relevant procedures for the nomination and appointment of Directors; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The director nomination policy as adopted by the Board sets out the procedure and criteria in the nomination and appointment of Directors.

The Nomination Committee held five meetings during FY 2022 to discuss and review the structure, size and composition of the Board and the independence of the independent non-executive Directors as well as matters regarding appointment and retirement and re-election of Directors at annual general meeting.

The attendance record of each member at the Nomination Committee meeting is set out below:

	Meetings attended/ Number of meetings
Mr. Zhang Yanyou(Note 1) *(chairman of the Nomination Committee)*	5/5
Mr. Guan Jifa(Note 2) *(chairman of the Nomination Committee)*	NA
Mr. Bai Jinrong(Note 3)	2/2
Mr. Huang Lixin	5/5
Mr. Li Wei(Note 4)	3/3

Note:

1. Mr. Zhang Yanyou resigned as a non-executive Director with effect from 30 November 2022. On that day, he also resigned as the Chairman of the Board, chairman of the Nomination Committee and chairman of the ESG Committee.

2. Mr. Guan Jifa was appointed as the Chairman of the Board, chairman of the Nomination Committee and chairman of the ESG committee with effect from 30 November 2022.

3. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

4. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

ESG Committee

The Company established the ESG Committee on 29 November 2021 with written terms of reference. The ESG Committee consists of three members, including an executive director, a non-executive director, and an independent non-executive director. The committee has a chairman.

The ESG Committee currently consists of one non-executive Director, namely Mr. Guan Jifa (chairman of the ESG Committee), one executive Director, namely Mr. Liu Yu, and one independent non-executive Director, namely Mr. Luo Zhenbang.

The terms of reference of the ESG Committee are to review, approve and report to the board of directors the company's ESG principles, objectives, standards and matters, and to supervise, review and evaluate their effective implementation in the formulation of strategies, systems and business practices. The ESG Committee is also responsible for reviewing and recommending the ESG reports to the board of directors, etc.

The ESG Committee held two meetings during FY 2022 to discuss the company's ESG report, ESG objectives, etc. and report to the Board.

The attendance record of each member at the ESG Committee meeting is set out below:

	Meeting attended/ Number of meeting
Mr. Zhang Yanyou(Note 1) *(chairman of the ESG Committee)*	1/1
Mr. Guan Jifa(Note 2) *(chairman of the ESG Committee)*	1/1
Ms. Xuan Jing(Note 3)	2/2
Mr. Luo Zhenbang	2/2

Note:

1. Mr. Zhang Yanyou resigned as a non-executive Director with effect from 30 November 2022. On that day, he also resigned as the Chairman of the Board, chairman of the Nomination Committee and chairman of the ESG Committee.

2. Mr. Guan Jifa was appointed as the Chairman of the Board, chairman of the Nomination Committee and chairman of the ESG Committee with effect from 30 November 2022.

3. Ms. Xuan Jing resigned as an executive Director and the chief executive officer with effect from 21 March 2023. On that day, she also resigned as a member of the ESG Committee. Mr. Liu Yu was appointed as an executive Director with effect from 30 November 2022 and was appointed as the chief executive officer and a member of the ESG Committee with effect from 21 March 2023.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 6 December 2013 and 25 December 2018 ("**Board Diversity Policy**") and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to maintaining diversity at all levels and will consider the measurable objectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth and is also committed to ensuring that selection and nomination of Board positions are appropriately structured so that a diverse range of candidates are considered.

As at 31 December 2022, the Board comprised nine members, including three female Directors who have a balance mix of knowledge, skill and experience. The Company has taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at Board and senior management levels. Taking into account the Company's business model and specific needs as well as the presence of three female Directors out of a total of nine Board members as at 31 December 2022, the Company considered that the composition of the Board satisfies the Board Diversity Policy.

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior levels. It is the Company's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. As at 31 December 2022, the gender ratio in the workforce (including senior management) was approximately 73.4% males and 26.6% females.

The Board has set measurable objectives to implement the Board Diversity Policy and reviewed such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has achieved the measurable objectives in implementing the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate and on a regular basis, to ensure its continued effectiveness.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board.

The Company has adopted a director nomination policy ("**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to recommendation by Shareholders, re-designation etc.;

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable;

- For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship; and

- Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board;

- The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above; and

- The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity aspects under the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee of the Company.

During FY 2022, the Nomination Committee recommended to the Board the appointment of an executive Director, namely Mr. Liu Yu, three non-executive Directors, namely Ms. Sun Fang, Mr. Cao Mingda and Ms. Hou Weiwei, and an independent non-executive Director, namely Mr. Li Wei. The appointments were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will conduct regular review on the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board determines the Company's corporate governance policies and performs corporate governance duties set out in the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; and (iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised the Securities Dealing Code on terms no less exacting than the required standard of dealings set out in the Model Code. The Company customarily issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standards set out in the Securities Dealing Code and the Model Code throughout FY 2022. The Securities Dealing Code also applies to employees to whom the Securities Dealing Code was given. The Company was not aware of any non-compliance of the Model Code for FY 2022.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group will be provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Continuing briefings and professional development to Directors will be arranged when necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses.

In FY 2022, the Company held many training courses for all Directors, including listing rules and relevant guidelines, inside information, ESG, anti-corruption, etc. The details of attendance of Directors are as follows:

	Training for new Directors	Training on the Latest Listed Issuer Regulations	Insider Training	ESG Training	Anti-corruption Training
Ms. Xuan Jing		✓✓✓	✓	✓	✓
Mr. Liu Yu	✓	✓			✓
Mr. Zhang Yanyou		✓✓	✓	✓	
Mr. Guan Jifa		✓✓✓	✓	✓	✓
Mr. Cao Wei		✓			
Mr. Zheng Yi		✓✓	✓	✓	
Ms. Sun Fang	✓	✓			✓
Mr. Cao Mingda	✓	✓✓	✓	✓	✓
Ms. Hou Weiwei	✓	✓✓	✓	✓	✓
Ms. Gu Xiaohui					
Mr. Bai Jinrong		✓			
Mr. Luo Zhenbang		✓✓✓	✓	✓	✓
Mr. Huang Lixin		✓✓✓	✓	✓	✓
Mr. Li Wei	✓	✓✓	✓	✓	✓

Note: "✓" indicates the number of times the Director participated in the relevant training.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and has established and maintained appropriate and effective risk management and internal control systems.

The Board acknowledges that it is responsible for the Group's risk management and internal control systems, and continuously supervises the design, implementation and monitoring of the Group's risk management and internal control systems. The Audit Committee assists the Board in managing and continuously supervising the design, implementation and monitoring of the Group's risk management and internal control systems.

The Group reviews the effectiveness of the risk management and internal control systems of the Group and its subsidiaries once a year, covering all important controlled aspects such as financial control, operational control and compliance control. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In FY 2022, the management of the Group reported to the Board and the Audit Committee that relevant reviews had been completed, and the Board confirmed that the Group's risk management and internal control systems were effective.

The Group has provided sufficient resources in terms of accounting, internal audit, financial reporting functions, as well as the Group's environmental, social and governance performance and reporting, recruited employees with sufficient qualifications, and provided various training courses to employees.

The Group adopted the BII "Regulations on Internal Control and Risk Management" to identify, evaluate and manage the Group's major risks, carry out risk assessment of major issues before making decisions on major issues such as investment mergers and acquisitions, reform, restructuring and reorganization, and form risk assessment conclusions (including risk response measures and disposal plans) as necessary supporting materials for Board decision-making. The Group shall not organize the implementation of major events that exceed the Group's risk tolerance or risk response measures are not in place, so as to protect the Group from major losses due to systemic, subversive risks or perceived mistakes. The Group has formulated a number of risk management and internal monitoring systems from 21 dimensions including corporate governance, capital operation, financial management, legal compliance, and production safety, and clarified the main business processes and departmental functions. The Company performs annual reviews on these systems in order to monitor its operational situation in a timely manner, and revises or abolishes some regulations in accordance with relevant national laws and regulations and actual conditions of the Company, so as to promote the improvement of the Group's operating efficiency and performance, and provide a strong guarantee for the Group to realize its development strategy.

In order to further regulate the risk management and internal control system of the Group and effectively prevent internal risks, the "Internal Control Handbook of BII Railway Transportation Technology Holdings Company Limited" was prepared according to the "Guidelines for Corporate Internal Control", which was jointly issued by five ministries and commissions including the Ministry of Finance as well as the relevant regulatory requirements of the Stock Exchange and the actual management situation of the Company. The internal control system of the Group regulates the internal management procedure of the Group by an information controlling aspect, namely information system, and fourteen business controlling aspects, namely organisational structure, fund management, financial reporting, procuring business, outsourcing business, sales business, research and development management, project management, contract management, human resources, budget management, financing management, equity investment management and fixed assets management. It identifies the risks in the internal management of the Group and provides relevant control measures to prevent the risks.

In accordance with the "Guidelines for Corporate Internal Control" jointly issued by five ministries and commissions including the Ministry of Finance, the "Internal Control Handbook of BII Railway Transportation Technology Holdings Company Limited" and related systems, the Group reviews the design and implementation of the risk management and internal control systems of the Group and its subsidiaries every year. Through individual interviews, system review, data inspection, walk-through testing and other methods, the Group timely discovers the lack of risk management and internal control, proposes corresponding rectification plans, and forms the "Annual Internal Control Compliance Evaluation Report (including rectification plan)", reports to the Board and the Audit Committee, and continues to follow up and supervises the implementation of rectification. In view of serious internal control deficiencies discovered during the review process, the Group will deal with the relevant responsible persons in accordance with relevant systems such as the "Interim Provisions on Accountability for Operation and Investment Violations", and take timely measures to reduce and recover losses and eliminate adverse effects.

The Group has developed its disclosure policy which provides a general guide to the Directors, the Group's officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

The Group has set up a Legal Compliance Department to be responsible for the daily work of the risk management and internal control system, and to analyse and independently assess whether the risk management and internal control system is adequate and effective.

In FY 2022, the Group optimised the reporting policy and system, and issued the "Whistleblowing Regulation" to replace the "Policy and Procedure for Employees to Report Misconduct", allowing employees and others who have dealings with the Group (such as customers and suppliers) to raise their concerns about any possible impropriety with the Group to the Audit Committee privately and anonymously. The Whistleblowing Regulation is available on the website of the Company.

In FY 2022, the Group has promoted and supported the policies and systems of anti-corruption laws and regulations, and revised the "Anti-fraud Regulation", aiming to formulate a clear anti-fraud policy, promote a clean culture within the Group, and effectively link with the "Reporting Management Measures". The Company continues to carry out anti-corruption and anti-fraud activities to cultivate a culture of integrity, and actively organises anti-corruption and anti-fraud trainings and inspections to ensure the effectiveness of its anti-corruption and anti-fraud measures. The Anti-fraud Regulation is available on the website of the Company. During FY 2022, the Company held one anti-corruption and anti-fraud training and briefing to all employees. There were no non-compliance cases in relation to corruption and fraud.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for FY 2022 and ensure that the financial statements are prepared in accordance with applicable statutory requirements and financial reporting standards. Appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 70 to 80 of this annual report.

AUDITORS' REMUNERATION

The fees paid and payable to the Company's external auditors in respect of their audit and non-audit services provided to the Company for FY 2022 were as follows:

	Amount HK$'000
Type of services	
Statutory audit services	3,245
Non-statutory audit services	741
	3,986

COMPANY SECRETARY

Ms. Cheung Yuet Fan has been appointed as the Company's company secretary since 29 May 2018. Ms. Cheung is a director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Liu Yefei, senior specialist of the Group, has been designated as the primary contact person at the Company who would work and communicate with Ms. Cheung on the Company's corporate governance and secretarial and administrative matters.

For FY 2022, Ms. Cheung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communications with the Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations and investor understanding of the Group's business performance and strategies. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its corporate publications including interim and annual reports as well as other announcements and circulars. The Company maintains its website (www.biitt.cn) to provide a communication channel for the public and its shareholders. All corporate communication and the Company's latest updates are available on the Company's website for public information.

The annual general meeting ("**AGM**") or extraordinary general meeting ("**EGM**") of the Company provide opportunities for direct communication between the Shareholders and the Board and the Directors are available to meet the Shareholders and answer their questions. During FY 2022, an AGM and an EGM were held.

The attendance records of each Director at the AGM and the EGM are set out below:

Name of Directors	Meetings attended/Number of meetings AGM	EGM
Executive Directors		
Ms. Xuan Jing(Note 1) *(Chief Executive Officer)*	1/1	1/1
Mr. Liu Yu(Note 2) *(Chief Executive Officer)*	NA	NA
Non-executive Directors		
Mr. Zhang Yanyou(Note 3) *(Chairman)*	1/1	1/1
Mr. Guan Jifa(Note 4) *(Chairman)*	1/1	1/1
Mr. Cao Wei(Note 5)	NA	1/1
Mr. Zheng Yi(Note 6)	1/1	0/1
Ms. Sun Fang(Note 7)	NA	NA
Ms. Gu Xiaohui(Note 8)	NA	1/1
Mr. Cao Mingda(Note 9)	1/1	NA
Ms. Hou Weiwei(Note 10)	NA	NA
Independent Non-executive Directors		
Ms. Bai Jinrong(Note 11)	NA	1/1
Mr. Luo Zhenbang *(CPA)*	1/1	1/1
Mr. Huang Lixin	1/1	1/1
Mr. Li Wei(Note 12)	1/1	NA

Note:

1. Ms. Xuan Jing resigned as an executive Director and a chief executive officer with effect from 21 March 2023. On that day, she also resigned as a member of the ESG committee.

2. Mr. Liu Yu was appointed as an executive Director with effect from 30 November 2022 and was appointed as a chief executive officer and a member of the ESG committee with effect from 21 March 2023.

3. Mr. Zhang Yanyou resigned as a non-executive Director with effect from 30 November 2022. On that day, he also resigned as the Chairman of the Board, the chairman of the nomination committee and the chairman of the ESG committee.

4. Mr. Guan Jifa was appointed as the Chairman of the Board, the chairman of the nomination committee and the chairman of the ESG committee with effect from 30 November 2022.

5. Mr. Cao Wei was re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. He resigned as a non-executive Director with effect from 11 April 2022. On that day, he also resigned as the vice chairman of the Board.

6. Mr. Zheng Yi resigned as a non-executive Director with effect from 27 October 2022.

7. Ms. Sun Fang was appointed as a non-executive Director with effect from 27 October 2022.

8. Ms. Gu Xiaohui resigned as a non-executive Director with effect from 29 March 2022.

9. Mr. Cao Mingda was appointed as a non-executive Director with effect from 11 April 2022.

10. Ms. Hou Weiwei was appointed as a non-executive Director with effect from 29 June 2022.

11. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022. On that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

12. Mr. Li Wei was appointed as an independent non-executive Director with effect from 11 April 2022. On that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

During the year under review, the Company has not made any changes to its Articles. The latest version of the Articles is available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The Company engages with Shareholders through various communication channels.

Procedures for Shareholders to Convene an EGM

According to Article 12.3 of the Articles, EGM of the Company may be convened on the written requisition of any two or more members of the Company or any one member of the Company where the member is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions in the Articles or the Companies Act of the Cayman Islands for putting forward proposals of new resolutions by the shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene an EGM in accordance with the procedures set out in the preceding paragraph to consider the business specified in the requisition. For proposing a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as a director of the Company" posted on the Company's website.

Procedures for Shareholders to Direct Enquiries to the Board

For putting enquiries to the Board, the Shareholders can contact the Company as follows:

Address:	Unit 4407, 44th Floor, COSCO Tower 183 Queen's Road Central Sheung Wan Hong Kong
Email:	IR@biitt.cn
Tel (HK):	(852) 2805 2588
Tel (Beijing):	(86) 010 8462 2731
Fax:	(852) 2805 2488
Attention:	The Board of Directors c/o the Board of Directors' office

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

Address:	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2805 2588 for any assistance.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The Company maintains close contact with investors, continuously communicating with them through online meetings, phone calls, face-to-face conversations, and other means, and answering questions about the Group's strategic direction, business development, prospects, and other concerns at any time. Investors can also learn about the latest information of the Company through Shareholder meetings, Company websites, Shareholder inquiries, and other means. In 2022, the Group has communicated with investors and analysts more than 50 times. The Board has conducted an annual review of the implementation and effectiveness of the Shareholders Communication Policy of the Company, and considered that the policy was implemented effectively during the year.

The Company has adopted a Dividend Policy on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. After the Board took comprehensive consideration of strategic planning, business expansion, operation management, dividend payout and other factors, the Group has established a sustainable, stable and scientific return mechanism for Shareholders. The mid-to-long-term dividend payout ratio is not lower than 30% in principle, which will provide Shareholders with tangible returns. The specific dividend allocation will depend on the annual results, cash flows and other factors, subject to the approval of Shareholders at the relevant annual general meeting.

DEFINITIONS

2023 annual general meeting of the Company	"2023 AGM"
Automatic Fare Collection Clearing Centre (自動售檢票清算中心)	"ACC"
Automated Fare Collection System (自動售檢票系統)	"AFC"
Automatic Fare Collection Network Control Centre (自動售檢票線網管理中心)	"ANCC"
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)* (保定基石連盈創業投資基金中心(有限合夥))	"Cornerstone Lianying"
Beijing Beikong Telecom Technology Service Co., Ltd.* (北京北控電信通技術服務有限公司)	"Beikong Telecom"
Beijing City Railway Holdings Company Limited （北京城市軌道交通控股有限公司）	"Beijing City Railway"
Beijing Cornerstone Huiying Venture Capital Centre (Limited Liability Partnership) (北京基石慧盈創業投資中心(有限合夥))	"Cornerstone Huiying"
Beijing Cornerstone Vision Digital Technology Co., Ltd.* (北京基石遠景數字科技有限公司)	"Cornerstone Vision"
Beijing Enterprises Environment Group Limited* (北京控股環境集團有限公司）	"Beijing Enterprises"
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司)	"BII"
Beijing Infrastructure Investment (Hong Kong) Limited （京投（香港）有限公司）	"BII HK"
Beijing Metro Co., Ltd.* (北京京城地鐵有限公司)	"Beijing Metro"
Beijing Metro Network Administration Co., Ltd.* (北京軌道交通路網管理有限公司)	"Metro Network"
Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司)	"Metro Science and Technology"

BII Information Security Technology Development Company Limited* (北京京投信安科技發展有限公司)	"BII Xin An"
BII Railway Technology Development Holdings Company Limited (京投軌道科技發展有限公司)	"BII Railway"
BII Railway Transportation Technology Holdings Company Limited（京投軌道交通科技控股有限公司）	"the Company"
BII Railway Transportation Technology Holdings Company Limited and its subsidiaries (京投軌道交通科技控股有限公司及其附屬公司)	"the Group"
Beijing Subway Information Development Co., Ltd. (北京地鐵信息發展有限公司)	"Information Development"
BII Technical Equipment Group Co., Ltd.* (北京軌道交通技術裝備集團有限公司)	"BII Technical"
BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司)	"BII-TDBJ"
BII Transit Systems (Beijing) Co., Ltd.*（億雅捷交通系統（北京）有限公司）	"BII-TSBJ"
BII Transit Systems (HK) Co., Ltd（京投交通科技（香港）有限公司）	"BII-TSHK"
BII Transportation Technology (Beijing) Co., Ltd.* (北京京投億雅捷交通科技有限公司)	"BII-TTBJ"
BII Zhongfu Technology Company Limited* (京投眾甫科技有限公司)	"BII Zhongfu"
Board of Directors	"Board"
Changxing Tianyue Corporate Management Partnership (Limited Partnership)* (長興天越企業管理合夥企業（有限合夥）)	"Changxing Tianyue"
Changxing Xiangyue Corporate Management Partnership (Limited Partnership)* (長興祥悅企業管理合夥企業（有限合夥）)	"Changxing Xiangyue"
China City Railway Transportation Technology Investment Co., Ltd. (中國城市軌道交通科技投資有限公司）	"CCRTT Investment"

For the year ended 31 December 2020	"FY 2020"
For the year ended 31 December 2021	"FY 2021"
For the year ended 31 December 2022	"FY 2022"
Great Legend Development Limited（華駿發展有限公司）	"Great Legend"
Litmus Technologies (Beijing) Co., Ltd.* (北京樂碼仕智能科技有限公司)	"Litmus"
More Legend Limited	"More Legend"
Multiple Line Centre (多線共用線路中心)	"MLC"
Ordinary share(s) of HK$0.01 each in the share capital of the Company	"Share(s)"
Passenger Information System (乘客信息系統)	"PIS"
Shareholder(s) of the Company	"Shareholder(s)"
Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司)	"Huaqi Intelligent"
the director(s) of the Company	"Director(s)"
The Rules Governing the Listing of Securities on the Stock Exchange	"Listing Rules"
The Stock Exchange of Hong Kong Limited（香港聯合交易所有限公司）	"Stock Exchange"
Traffic Control Centre (線網指揮中心)	"TCC"
Youdao Technology Co., Ltd (友道科技有限公司, formerly known as Beijing Zhilian Youdao Technology Co., Ltd (北京智聯友道科技有限公司))	"Youdao Technology"

* *For identification purposes only*

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
BII Railway Transportation Technology Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of BII Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 160, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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 HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key Audit Matter	How the matter was addressed in our audit
The Group's business involves entering into contractual relationships with customers to provide a range of services, including provision of design, production, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, and design, implementation and sale of related software, hardware and spare parts in utility tunnel areas. A proportion of the Group's revenue and profits is derived from long-term contracts, most of which are fixed price contracts. The recognition of revenue over time on long-term contracts is based on the stage of completion of work performed on a contract at the reporting date. The recognition of revenue for an incomplete project is dependent on estimating the total outcome of the contract as well as the work performed to date. Forecasting the outcome of a contract involves the exercise of significant management judgement. Errors in contract forecasts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.	Our audit procedures to assess the revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the revenue recognition; • For the revenue recognition over time, selecting a sample of contracts, using a variety of quantitative and qualitative criteria, and performing the following procedures for each contract selected: – inspecting key terms, including price, deliverables, timetable and milestones, set out in the contract and inquiring of the relevant project managers and engineers about key aspects of the contract, including the estimated total contract costs, key project risks, contingencies and billing schedules;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key Audit Matter

The timing of recognition of revenue at point in time is when the control of the goods have passed to customers.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk that revenue could be recorded in an incorrect period or could be subject to manipulation in order to achieve financial targets and expectations.

How the matter was addressed in our audit

- challenging the underlying judgements of senior operational and financial management personnel in their estimations of total estimated contract costs and estimated costs to complete the contract where it was still in progress at the reporting date by comparing their estimates with relevant underlying documentation, including suppliers' quotations and agreed contracts;
- comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation;
- agreeing total contract revenue to the contracted terms;
- recalculating the percentage of completion based on contract costs occurred up to the reporting date and estimated total contract costs;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key Audit Matter	How the matter was addressed in our audit
	– recalculating revenue recognised to date, based on total contract revenue and the percentage of completion; and – on a sample basis, comparing management's estimated costs to complete selected contracts at the end of the previous financial year with actual costs incurred during the current year and enquiring of the management about any significant variances identified; • For the revenue recognition at point in time, selecting transactions on a sample basis and performing the following procedures: – inspecting sales contracts with customers on a sample basis to understand and assess the terms and conditions therein which may affect the recognition of revenue; and – comparing sales transactions recorded around the year end, on a sample basis, with the underlying goods delivery notes to assess if the related revenue had been recognised in the appropriate accounting period.

KEY AUDIT MATTERS (CONTINUED)

Loss allowances for trade receivables and contract assets

Refer to Notes 18(a) and 19 to the consolidated financial statements and the accounting policies in Note 2(l)(i).

The Key Audit Matter

The Group's operations gave rise to significant balances of trade receivables and contract assets. As at 31 December 2022, trade receivables and contract assets amounted to HK$587,492,000 and HK$611,803,000, respectively, which represented 13.34% and 13.89% of the total assets, respectively.

The Group measures loss allowances on trade receivables and contract assets at amounts equal to lifetime expected credit losses (the "ECL") using a provision matrix which involved significant management judgement in estimating loss rate and adjusting factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

How the matter was addressed in our audit

Our audit procedures to assess the loss allowances for trade receivables and contract assets included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating loss allowances for trade receivables and contract assets;

- comparing, on a sample basis, the categorisation of trade receivables and contract assets in the ageing report with invoices issued, contract terms, contract progress reports and other relevant underlying documentation;

- obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the segmentation of the accounts receivable based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;

KEY AUDIT MATTERS (CONTINUED)

Loss allowances for trade receivables and contract assets (continued)

Refer to Notes 18(a) and 19 to the consolidated financial statements and the accounting policies in Note 2(l)(i).

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing loss allowances for trade receivables and contract assets as a key audit matter because of the significance of the balances of trade receivables and contract assets to the consolidated financial statements and the significant management judgement required in estimating the loss allowances at the reporting date, which can be inherently uncertain.	• assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • inspecting cash receipts, on a sample basis, from customers subsequent to the financial year end relating to trade receivables and contract assets balances as at 31 December 2022.

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and trademark with indefinite useful life

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(l)(ii).

The Key Audit Matter

As at 31 December 2022, goodwill amounted to HK$563,880,000 in total and was allocated to operations in intelligent railway transportation services and operations related to the civil communication transmission services business for the purpose of assessing potential impairment.

As at 31 December 2022, trademark with indefinite useful life amounted to HK$95,153,000.

Goodwill and trademark with indefinite useful life are assessed annually for potential impairment. Management performs impairment assessments of the cash generating units ("CGUs") to which the assets are allocated by considering the value-in-use of these assets.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill and trademark with indefinite useful life included the following:

- understanding and evaluating the design and implementation of key internal controls over the impairment assessment;
- evaluating management's identification of CGUs and the amounts of goodwill and trademark with indefinite useful life allocated to those CGUs;
- with the assistance of our internal valuation specialists, evaluating the methodology used by management in its preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and assessing the discount rates applied in the discounted cash flow forecasts by comparing with the range of those adopted by other companies in the same industry;

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and trademark with indefinite useful life (continued)

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(l)(ii).

The Key Audit Matter

The value-in-use was determined by preparing discounted cash flow forecasts of the relevant CGUs. This involves a significant degree of management judgement, particularly the future sales growth rates, corresponding gross margin rates and the discount rates applied.

We identified assessing potential impairment of goodwill and trademark with indefinite useful life as a key audit matter because the impairment assessment of these assets involves a significant degree of management judgement in relation to the key assumptions adopted in the impairment assessment models some of which are inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

- assessing and challenging the key assumptions adopted by management in its discounted cash flow forecasts, such as the estimated future sales growth rates and corresponding gross margin rates, with reference to historical sales growth rates and corresponding profit margins rates of the individual CGUs, the financial budgets approved by the directors and our expectations based on our knowledge of the industry in which the Group operates;

- performing a retrospective review of the prior year's discounted cash flow forecasts and comparing the forecast revenue and profit with the current year's actual results to assess the reliability of management's forecasting process;

- obtaining from management sensitivity analyses of the key assumptions, including future sales growth rates, corresponding gross margin rates and the discount rates applied, adopted in the discounted cash flow forecasts and considering whether there were any indicators of management bias; and

- considering the disclosures in the consolidated financial statements in respect of impairment testing of goodwill and trademark with indefinite useful life with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 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 the 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors 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. This 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.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.

– 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.

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

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 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 Yeung Ka Chun.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022 (Expressed in Hong Kong dollars ("HK$"))

	Note	2022 HK$'000	2021 HK$'000
Revenue	4	**1,638,948**	1,749,210
Cost of sales		**(1,052,649)**	(1,101,684)
Gross profit	4(b)	**586,299**	647,526
Other income	5	**37,683**	59,016
Selling, general and administrative expenses		**(281,210)**	(287,994)
Impairment loss on trade receivables and contract assets	29(a)	**(11,650)**	(7,138)
Impairment loss on goodwill		**–**	(64,747)
Research expenses		**(159,561)**	(164,421)
Profit from operations		**171,561**	182,242
Finance costs	6(a)	**(9,006)**	(27,038)
Share of results of joint ventures and associates		**52,912**	56,711
Fair value changes in other financial assets		**8,930**	302
Fair value changes in contingent considerations and put-options		**(1,096)**	18,627
Profit before taxation	6	**223,301**	230,844
Income tax	7	**(38,302)**	(31,339)
Profit for the year		**184,999**	199,505
Attributable to:			
Equity shareholders of the Company		**179,252**	187,535
Non-controlling interests		**5,747**	11,970
Profit for the year		**184,999**	199,505
Earnings per share			
– Basic and diluted (HK$)	10	**0.085**	0.089

The notes on pages 89 to 160 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022 (Expressed in HK$)

	2022 HK$'000	2021 HK$'000
Profit for the year	**184,999**	199,505
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**(211,774)**	74,049
Total comprehensive income for the year	**(26,775)**	273,554
Attributable to:		
Equity shareholders of the Company	**(30,060)**	259,971
Non-controlling interests	**3,285**	13,583
Total comprehensive income for the year	**(26,775)**	273,554

The notes on pages 89 to 160 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2022 (Expressed in HK$)

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	11	**224,829**	207,971
Intangible assets	12	**208,605**	232,366
Goodwill	13	**563,880**	616,088
Interests in joint ventures and associates	15	**407,171**	418,723
Other financial assets	16	**122,736**	67,576
Contingent considerations		**–**	27
Deferred tax assets	26(b)	**33,946**	40,188
		1,561,167	1,582,939
Current assets			
Inventories and other contract costs	17	**446,197**	471,224
Contract assets	18(a)	**611,803**	631,030
Trade and other receivables	19	**975,942**	833,202
Loans to an associate	20	**–**	4,892
Cash on hand and in bank	21	**808,651**	893,375
		2,842,593	2,833,723
Current liabilities			
Trade and other payables	22	**1,195,345**	1,076,210
Contract liabilities	18(b)	**39,702**	68,799
Bank and other borrowings	23	**83,930**	48,775
Lease liabilities	24	**17,640**	17,747
Current taxation	26(a)	**33,404**	24,508
Provision for warranties	25	**8,461**	9,895
		1,378,482	1,245,934
Net current assets		**1,464,111**	1,587,789
Total assets less current liabilities		**3,025,278**	3,170,728

The notes on pages 89 to 160 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2022 (Expressed in HK$)

	Note	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Bank and other borrowings	23	**300,000**	300,000
Lease liabilities	24	**22,218**	40,520
Contingent considerations	28	**2,027**	–
Deferred tax liabilities	26(b)	**43,924**	51,589
Deferred income		**1,772**	4,938
Provision for warranties	25	**5,544**	1,787
		375,485	398,834
NET ASSETS		**2,649,793**	2,771,894
CAPITAL AND RESERVES	27		
Share capital		**20,971**	20,971
Reserves		**2,552,444**	2,639,189
Total equity attributable to equity shareholders of the Company		**2,573,415**	2,660,160
Non-controlling interests		**76,378**	111,734
TOTAL EQUITY		**2,649,793**	2,771,894

Approved and authorised for issue by the board of directors on 27 March 2023.

Liu Yu
Director

Guan Jifa
Director

The notes on pages 89 to 160 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (Expressed in HK$)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital HK$'000 (Note 27(c))	Share premium HK$'000 (Note 27(d)(i))	Capital reserve HK$'000 (Note 27(d)(ii))	Statutory reserves HK$'000 (Note 27(d)(iii))	Exchange reserve HK$'000 (Note 27(d)(iv))	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1 January 2021	20,971	1,771,241	26,424	62,677	21,574	549,730	2,452,617	100,387	2,553,004
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	187,535	187,535	11,970	199,505
Other comprehensive income	–	–	–	–	72,436	–	72,436	1,613	74,049
Total comprehensive income	–	–	–	–	72,436	187,535	259,971	13,583	273,554
Dividends to non-controlling interests	–	–	–	–	–	–	–	(4,671)	(4,671)
Capital injection from non-controlling shareholder	–	–	–	–	–	–	–	2,435	2,435
Dividends approved in respect of the previous year (Note 27(b)(ii))	–	(52,428)	–	–	–	–	(52,428)	–	(52,428)
Appropriation to reserves	–	–	–	21,263	–	(21,263)	–	–	–
	–	(52,428)	–	21,263	–	(21,263)	(52,428)	(2,236)	(54,664)
Balance at 31 December 2021	20,971	1,718,813	26,424	83,940	94,010	716,002	2,660,160	111,734	2,771,894

The notes on pages 89 to 160 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2022 (Expressed in HK$)

	Attributable to equity shareholders of the Company								
	Share capital HK$'000 (Note 27(c))	Share premium HK$'000 (Note 27(d)(i))	Capital reserve HK$'000 (Note 27(d)(ii))	Statutory reserves HK$'000 (Note 27(d)(iii))	Exchange reserve HK$'000 (Note 27(d)(iv))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	20,971	1,718,813	26,424	83,940	94,010	716,002	2,660,160	111,734	2,771,894
Changes in equity for 2022:									
Profit for the year	–	–	–	–	–	179,252	179,252	5,747	184,999
Other comprehensive income	–	–	–	–	(209,312)	–	(209,312)	(2,462)	(211,774)
Total comprehensive income	–	–	–	–	(209,312)	179,252	(30,060)	3,285	(26,775)
Acquisition of non-controlling interests of a subsidiary (Note 28)	–	–	(604)	–	–	–	(604)	(36,392)	(36,996)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(3,346)	(3,346)
Changes in capital reserve of associates	–	–	(785)	–	–	–	(785)	–	(785)
Capital injection into a subsidiary	–	–	1,327	–	–	–	1,327	–	1,327
Capital injection from non-controlling shareholder	–	–	–	–	–	–	–	1,097	1,097
Dividends approved in respect of the previous year (Note 27(b)(ii))	–	(56,623)	–	–	–	–	(56,623)	–	(56,623)
Appropriation to reserves	–	–	–	2,888	–	(2,888)	–	–	–
	–	(56,623)	(62)	2,888	–	(2,888)	(56,685)	(38,641)	(95,326)
Balance at 31 December 2022	20,971	1,662,190	26,362	86,828	(115,302)	892,366	2,573,415	76,378	2,649,793

The notes on pages 89 to 160 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022 (Expressed in HK$)

	Note	2022 HK$'000	2021 HK$'000
Operating activities			
Profit before taxation		**223,301**	230,844
Adjustments for:			
Depreciation and amortisation	6(c)	**75,015**	60,593
Impairment loss on trade receivables and contract assets	29(a)	**11,650**	7,138
Impairment loss on goodwill	6(c)	**–**	64,747
Interest income	5	**(5,976)**	(9,772)
Investment income	5	**–**	(3,014)
Gain on disposal of an associate	5	**(6,392)**	–
Finance cost	6(a)	**9,006**	27,038
Share of results of joint ventures and associates		**(52,912)**	(56,711)
Net (gain)/loss on disposal of property, plant and equipment	6(c)	**(11)**	36
Release of deferred income		**(3,441)**	(4,954)
Fair value changes in other financial assets		**(8,903)**	(302)
Fair value changes in contingent considerations and put-options		**1,069**	(18,627)
Changes in working capital:			
Increase in inventories and other contract costs		**(11,122)**	(50,327)
Increase in trade and other receivables		**(224,780)**	(131,310)
Increase in contract assets		**(24,174)**	(102,556)
Increase in deferred income		**597**	4,762
Increase in provision for warranties		**2,323**	1,265
Increase in trade and other payables		**4,011**	80,896
(Decrease)/increase in contract liabilities		**(24,993)**	7,551
Increase in restricted bank deposits		**(95,962)**	(6,028)
Cash (used in)/generated from operations		**(131,694)**	101,269
Interest received		**5,903**	9,772
Income tax paid	26(a)	**(29,392)**	(31,236)
Net cash (used in)/generated from operating activities		**(155,183)**	79,805
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(39,576)**	(29,773)
Proceeds from disposal of property, plant and equipment		**2**	263
Dividends received from joint ventures and associates		**6,569**	2,802
Investments in equity securities		**–**	(67,270)
Investments in associates		**–**	(3,896)
Net proceeds from debt investments		**–**	221,024
Repayment of loans to an associate		**4,965**	2,000
Proceeds from disposal of an associate		**7,695**	–
Net cash (used in)/generated from investing activities		**(20,345)**	125,150

The notes on pages 89 to 160 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2022 (Expressed in HK$)

	Note	2022 HK$'000	2021 HK$'000
Financing activities			
Capital element of lease rentals paid	21(b)	**(17,449)**	(11,336)
Interest element of lease rentals paid	21(b)	**(2,326)**	(1,256)
Proceeds of bank and other borrowings	21(b)	**88,237**	52,174
Repayment of bank and other borrowings	21(b)	**(47,560)**	(276,557)
Interest paid	21(b)	**(6,688)**	(26,999)
Dividends paid to equity shareholders of the Company	27(b)	**(56,623)**	(52,428)
Distributions paid to non-controlling interests		**(2,316)**	(3,156)
Capital injection from non-controlling interests		**–**	2,435
Net cash used in financing activities		**(44,725)**	(317,123)
Net decrease in cash and cash equivalents		**(220,253)**	(112,168)
Cash and cash equivalents at 1 January	21(a)	**848,043**	944,489
Effect of foreign exchange rate changes		**39,580**	15,722
Cash and cash equivalents at 31 December	21(a)	**667,370**	848,043

The notes on pages 89 to 160 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures and associates. The principal activities of the Group are the design, production, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implementation and sale of related software, hardware and spare part in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interests in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities (see Note 2(g));
- contingent considerations; and
- options.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

– Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*

– Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts-cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(ii)), unless the investment is classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(f) and 2(l)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or joint ventures, after applying the expected credited losses ("ECLs") model to such other long-term interests where applicable.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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, when the Group ceases to significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

In the Company's statement of financial position, investment in associates and joint venture are stated at cost less impairment losses (see Note 2(l)(ii)), unless classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see Note 2(l)(ii)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments in debt and equity securities (continued)

(I) INVESTMENTS OTHER THAN EQUITY INVESTMENTS

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iv)).

– Fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(II) EQUITY INVESTMENTS

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(iii).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Buildings	20 years
Right-of-use assets	Over the terms of leases
Civil communication transmission systems	The shorter of 10 years or the estimated remaining useful lives
Others	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. These intangible assets with finite useful lives are amortised from the date they are available for use as follows:

	Estimated useful lives
Software	3–10 years
Income rights	The shorter of 13 years or the estimated remaining useful lives
Patent rights	10–15 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group treats trademark as intangible asset with indefinite useful life and reviews annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(I) AS A LESSEE

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(I) AS A LESSEE (CONTINUED)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets in "Property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(II) AS A LESSOR

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an 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 exemption described in Note 2(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

The Group recognises a loss allowance for ECL on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to an associate);

- contract assets as defined in IFRS 15 (see Note 2(n)); and

- debt securities measured at FVOCI (recycling).

Other financial assets measured at fair value, including financial instruments measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) IMPAIRMENT OF OTHER NON-CURRENT ASSETS

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– investments in associates and joint ventures; and

– investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(III) INTERIM FINANCIAL REPORTING AND IMPAIRMENT

Under the Listing Rules, the Group is required to prepare interim financial reports in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(l)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories and other contract costs

(I) INVENTORIES

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(II) OTHER CONTRACT COSTS

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(m)(i)), property, plant and equipment (see Note 2(i)) or intangible assets (see Note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories and other contract costs (continued)

(II) OTHER CONTRACT COSTS (CONTINUED)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(v).

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see Note 2(l)(i)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(l)(i).

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(s) Employee benefits

(I) SHORT-TERM EMPLOYEE BENEFITS AND CONTRIBUTIONS TO DEFINED CONTRIBUTION RETIREMENT PLANS

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(II) TERMINATION BENEFITS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(I) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(II) ONEROUS CONTRACTS

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(I) SERVICE CONTRACT

When the outcome of a service contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to date to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(u)(ii).

(II) SALE OF GOODS

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(III) DIVIDENDS

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(IV) INTEREST INCOME

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(l)(i)).

(V) GOVERNMENT GRANTS

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Foreign currency transactions during the period are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into Hong Kong dollars, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 25 and 29 contain information about the assumptions and their risk factors relating to goodwill impairment, estimation of provision for warranties and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in Note 2(v)(i), revenue from service contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Expected credit losses for trade receivables and contract assets

The credit losses for trade receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 29(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

(c) Impairment of goodwill and trademark with indefinite useful life

The Group determines whether goodwill and trademark with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units ("CGUs"). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of impairment testing of goodwill and trademark with indefinite useful life are given in Note 12 and 13 to the financial statements.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(d) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, production, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(I) DISAGGREGATION OF REVENUE

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from intelligent railway transportation services	**1,431,998**	1,516,154
Revenue from infrastructure information services	**206,950**	233,056
	1,638,948	1,749,210

For the year ended 31 December 2022, revenues from transactions with one customer (2021: one customer) has exceeded 10% of the Group's revenue:

	2022 **HK$'000**	2021 HK$'000
Customer A	**198,924**	281,153

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(II) REVENUE EXPECTED TO BE RECOGNISED IN THE FUTURE ARISING FROM CONTRACTS WITH CUSTOMERS IN EXISTENCE AT THE REPORTING DATE

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$2,564,283,000 (31 December 2021: HK$2,199,100,000). This amount represents revenue expected to be recognised in the future from intelligent railway transportation contracts and infrastructure information services contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 24 months (31 December 2021: next 1 to 36 months).

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(III) TOTAL FUTURE MINIMUM PAYMENTS RECEIVABLE BY THE GROUP RELATED TO CIVIL COMMUNICATION TRANSMISSION SERVICES

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**165,974**	166,675
After 1 year but within 5 years	**87,689**	116,599
	253,663	283,274

This amount has been included in the above aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts and will be recognised as revenue in future.

(b) Segment reporting

The Group manages its businesses by business lines in a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

– Intelligent railway transportation: this segment provides design, production, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts in railway transportation areas.

– Infrastructure information: this segment provides civil communication transmission services as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas.

– Business development investment: this segment manages the equity investments in railway transportation areas and infrastructure areas.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the years ended 31 December 2022 and 2021. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss on trade receivables and contract assets, impairment loss on goodwill, research expenses, finance costs, fair value changes in other financial assets, fair value changes in contingent considerations and put options and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, such information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	2022			
	Intelligent railway transportation HK$'000	Infrastructure information HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	1,221,285	4,414	–	1,225,699
Over time	210,713	202,536	–	413,249
Revenue from external customers and reportable segment revenue	1,431,998	206,950	–	1,638,948
Reportable segment gross profit	466,985	119,314	–	586,299
Share of results of joint ventures and associates	–	–	52,912	52,912

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS (CONTINUED)

	2021			
	Intelligent railway transportation HK$'000	Infrastructure information HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	1,304,894	10,213	–	1,315,107
Over time	211,260	222,843	–	434,103
Revenue from external customers and reportable segment revenue	1,516,154	233,056	–	1,749,210
Reportable segment gross profit	498,302	149,224	–	647,526
Share of results of joint ventures and associates	–	–	56,711	56,711

(II) RECONCILIATION OF REPORTABLE SEGMENT PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Reportable segment gross profit	**586,299**	647,526
Share of results of joint ventures and associates	**52,912**	56,711
Other income	**37,683**	59,016
Selling, general and administrative expenses	**(281,210)**	(287,994)
Impairment loss on trade receivables and contract assets	**(11,650)**	(7,138)
Impairment loss on goodwill	**–**	(64,747)
Research expenses	**(159,561)**	(164,421)
Finance costs	**(9,006)**	(27,038)
Fair value changes in other financial assets	**8,930**	302
Fair value changes in contingent considerations and put options	**(1,096)**	18,627
Profit before taxation	**223,301**	230,844

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(III) GEOGRAPHIC INFORMATION

Disaggregation of revenue from contracts with customers by geographical location of customers is as follows:

	2022 HK$'000	2021 HK$'000
– Mainland China	**1,567,732**	1,674,860
– Hong Kong	**35,991**	38,593
– India	**35,225**	35,757
	1,638,948	1,749,210

The Group's non-current assets, including property, plant and equipment, intangible assets, goodwill and interests in joint ventures and associates, are all located or allocated to operations located in the PRC.

5 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Interest income	**5,976**	9,772
Investment income	**–**	3,014
Government grants	**23,594**	41,723
Gain on disposal of an associate (Note 16)	**6,392**	–
Net foreign exchange gain	**40**	1,173
Others	**1,681**	3,334
	37,683	59,016

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2022 HK$'000	2021 HK$'000
Interests on bank and other borrowings	**1,456**	973
Interests on loans from a related party	**5,224**	24,809
Interest on lease liabilities	**2,326**	1,256
	9,006	27,038

(b) Staff costs

	2022 HK$'000	2021 HK$'000
Salaries, wages and other benefits	**299,784**	319,406
Contributions to defined retirement plans	**23,182**	22,558
Cash-settled share-based transaction expenses	**–**	5,705
	322,966	347,669

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's subsidiaries incorporated in Hong Kong under a trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Note	2022 HK$'000	2021 HK$'000
Cost of inventories	17(b)	**802,843**	797,745
Auditors' remuneration:			
– statutory audit services		**3,245**	3,376
– other services		**741**	1,146
Impairment loss on goodwill	13	**–**	64,747
Depreciation charge	11(a)		
– owned property, plant and equipment		**33,830**	27,396
– right-of-use assets		**17,181**	10,766
Amortisation of intangible assets	12	**24,004**	22,431
Net (gain)/loss on disposal of property, plant and equipment		**(11)**	36
Expense relating to short-term leases and leases of low value assets, which not included in the measurement of lease liabilities		**10,345**	15,452

Note:

Cost of inventories includes HK$105,341,000 (2021: HK$109,547,000) relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2022 HK$'000	2021 HK$'000
Current taxation (Note 26(a)):		
– Hong Kong Profits Tax	**7,682**	6,717
– PRC Corporate Income Tax	**30,606**	24,357
	38,288	31,074
Deferred taxation (Note 26(b)):		
– Origination and reversal of temporary differences	**14**	265
	38,302	31,339

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 HK$'000	2021 HK$'000
Profit before taxation	**223,301**	230,844
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii), (iii) and (iv))	**52,670**	57,814
Tax effect of non-deductible expenses	**27,109**	4,884
Tax effect of non-deductible fair value changes	**–**	(3,076)
Share of results of joint ventures and associates	**(9,799)**	(11,333)
Non-taxable interest income	**(141)**	(354)
Tax effect of foreign exchange loss/(gain)	**395**	(360)
Tax effect of utilisation of prior years' temporary differences previously not recognised	**(97)**	(514)
Tax effect of tax losses and deductible temporary differences not recognised	**9,461**	13,611
Tax effect of withholding tax in connection with the distributions made by subsidiaries (Note (viii))	**5,329**	–
Tax concessions (Notes (v), (vi) and (vii))	**(46,625)**	(29,333)
Income tax	**38,302**	31,339

7 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2022 (2021: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

(ii) The subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) and India are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

(iv) The subsidiary incorporated in India is subject to India Profits Tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

(v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2022. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 75%/100% of the qualified research and development costs incurred by these subsidiaries (2021: 75%/100%).

(vi) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction. As a result, these subsidiaries enjoyed an exemption from PRC Corporate Income Tax or 50% PRC Corporate Income Tax reduction in for the year ended 31 December 2022.

(vii) During the year ended 31 December 2022, certain subsidiaries of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for these subsidiaries, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 2.5%; the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 5%.

(viii) Distributions of RMB45,843,000 (equivalent to approximately HK$53,290,000) of certain subsidiaries declared to overseas companies during the year ended 31 December 2022. Accordingly, withholding tax of HK$5,329,000 calculated at the applicable withholding tax rate of 10% has been recognised for the year ended 31 December 2022.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Ms. Xuan Jing (resigned on 21 March 2023)	–	617	1,098	108	1,823
Mr. Liu Yu (appointed on 30 November 2022)	–	509	862	108	1,479
Non-executive directors					
Mr. Zhang Yanyou (resigned on 30 November 2022) (Note (ii))	–	–	–	–	–
Mr. Cao Wei (resigned on 11 April 2022)	100	8	–	5	113
Mr. Cao Mingda (appointed on 11 April 2022) (Note (ii))	–	–	–	–	–
Mr. Guan Jifa (Note (ii))	–	–	–	–	–
Mr. Zheng Yi (resigned on 27 October 2022) (Note (ii))	–	–	–	–	–
Ms. Sun Fang (appointed on 27 October 2022) (Note (ii))	–	–	–	–	–
Ms. Hou Weiwei (appointed on 29 June 2022) (Note (ii))	–	–	–	–	–
Ms. Gu Xiaohui (resigned on 29 March 2022) (Note (ii))	–	–	–	–	–
Independent non-executive directors					
Mr. Bai Jinrong (resigned on 11 April 2022)	66	–	–	–	66
Mr. Luo Zhenbang	240	–	–	–	240
Mr. Huang Lixin	240	–	–	–	240
Mr. Li Wei (appointed on 11 April 2022)	174	–	–	–	174
	820	1,134	1,960	221	4,135

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2021				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Ms. Xuan Jing	227	1,191	1,690	103	3,211
Non-executive directors					
Mr. Zhang Yanyou (Note (ii))	–	–	–	–	–
Mr. Cao Wei	1,200	93	–	63	1,356
Mr. Guan Jifa (Note (ii))	–	–	–	–	–
Mr. Zheng Yi (Note (ii))	–	–	–	–	–
Ms. Gu Xiaohui (appointed on 5 July 2021 and resigned on 29 March 2022) (Note (ii))	–	–	–	–	–
Mr. Ren Yuhang (resigned on 5 July 2021) (Note (ii))	–	–	–	–	–
Independent non-executive directors					
Mr. Bai Jinrong	240	–	–	–	240
Mr. Luo Zhenbang	240	–	–	–	240
Mr. Huang Lixin	240	–	–	–	240
	2,147	1,284	1,690	166	5,287

Notes:

(i) There were no amounts paid during the year ended 31 December 2022 to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) During the year ended 31 December 2022, the seven (2021: five) directors agreed to waive their entitlements to directors' fees totally amounted to HK$1,040,000 (2021: HK$960,000). Other than the aforementioned, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: one) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2021: four) individuals are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits in kind	**1,479**	3,949
Discretionary bonuses	**2,356**	6,328
Retirement scheme contributions	**325**	411
	4,160	10,688

The emoluments of the three (2021: four) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2022	2021
HK$1,000,001 – HK$1,500,000	**3**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	3

10 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit attributable to ordinary equity shareholders of the Company of HK$179,252,000 (2021: HK$187,535,000) and the weighted average of 2,097,147,000 ordinary shares (2021: 2,097,147,000 ordinary shares) in issue during the year.

The Group has no dilutive ordinary shares outstanding for the year ended 31 December 2022 and 2021. Therefore, there was no difference between basic and diluted earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings HK$'000	Right-of-use assets HK$'000	Civil communication transmission systems HK$'000	Others HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At 1 January 2021	18,775	31,106	323,489	27,289	9,325	409,984
Exchange adjustments	552	631	9,650	898	316	12,047
Additions	–	47,698	–	10,353	13,730	71,781
Disposals	–	–	–	(1,024)	–	(1,024)
Transfer	–	–	10,750	–	(10,750)	–
At 31 December 2021	19,327	79,435	343,889	37,516	12,621	492,788
Accumulated depreciation and impairment:						
At 1 January 2021	2,894	8,224	215,880	12,815	–	239,813
Exchange adjustments	66	312	6,598	591	–	7,567
Charge for the year	633	10,766	18,201	8,562	–	38,162
Written back on disposals	–	–	–	(725)	–	(725)
At 31 December 2021	3,593	19,302	240,679	21,243	–	284,817
Carrying amount:						
At 31 December 2021	15,734	60,133	103,210	16,273	12,621	207,971
Cost:						
At 1 January 2022	19,327	79,435	343,889	37,516	12,621	492,788
Exchange adjustments	(1,638)	(5,913)	(31,270)	(3,830)	(1,387)	(44,038)
Additions	–	1,795	4,890	14,505	66,719	87,909
Disposals	–	(3,533)	–	(593)	–	(4,126)
Transfer	–	–	57,432	–	(57,432)	–
At 31 December 2022	**17,689**	**71,784**	**374,941**	**47,598**	**20,521**	**532,533**
Accumulated depreciation and impairment:						
At 1 January 2022	3,593	19,302	240,679	21,243	–	284,817
Exchange adjustments	(245)	(1,758)	(21,148)	(2,426)	–	(25,577)
Charge for the year	609	17,181	22,048	11,173	–	51,011
Written back on disposals	–	(1,992)	–	(555)	–	(2,547)
At 31 December 2022	**3,957**	**32,733**	**241,579**	**29,435**	**–**	**307,704**
Carrying amount:						
At 31 December 2022	**13,732**	**39,051**	**133,362**	**18,163**	**20,521**	**224,829**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Buildings leased for own use, carried at depreciated cost	**39,051**	60,133

The Group has obtained the right to use office premises through tenancy agreements. The leases typically run for an initial period of 24 to 60 months.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 HK$'000	2021 HK$'000
Depreciation charge of properties leased for own use, carried at depreciated cost	**17,181**	10,766
Interest on lease liabilities (Note 6(a))	**2,326**	1,256
Expense relating to short-term leases and leases of low value assets, which not included in the measurement of lease liabilities	**10,345**	15,452

During the year, the Group recognised the additions to right-of-use assets of HK$1,795,000 for certain newly signed lease agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 21(c) and 24, respectively.

12 INTANGIBLE ASSETS

	Software HK$'000	Income rights HK$'000	Patent rights HK$'000	Trademark HK$'000	Total HK$'000
Cost:					
At 1 January 2021	46,424	112,046	59,802	100,998	319,270
Exchange adjustments	1,145	3,289	1,986	2,965	9,385
Additions	11,331	–	–	–	11,331
At 31 December 2021	58,900	115,335	61,788	103,963	339,986
Accumulated amortisation:					
At 1 January 2021	16,240	55,113	10,907	–	82,260
Exchange adjustments	419	1,757	753	–	2,929
Charge for the year	6,583	9,690	6,158	–	22,431
At 31 December 2021	23,242	66,560	17,818	–	107,620
Carrying amount:					
At 31 December 2021	35,658	48,775	43,970	103,963	232,366
Cost:					
At 1 January 2022	58,900	115,335	61,788	103,963	339,986
Exchange adjustments	(6,094)	(9,774)	(6,447)	(8,810)	(31,125)
Additions	21,689	–	–	–	21,689
At 31 December 2022	**74,495**	**105,561**	**55,341**	**95,153**	**330,550**
Accumulated amortisation:					
At 1 January 2022	23,242	66,560	17,818	–	107,620
Exchange adjustments	(2,010)	(5,959)	(1,710)	–	(9,679)
Charge for the year	8,836	9,314	5,854	–	24,004
At 31 December 2022	**30,068**	**69,915**	**21,962**	**–**	**121,945**
Carrying amount:					
At 31 December 2022	**44,427**	**35,646**	**33,379**	**95,153**	**208,605**

Notes:

(i) The amortisation charges for the year of software, income rights and patent rights are included in "cost of sales", "selling, general and administrative expense" and "research expenses" in the consolidated statement of profit or loss.

(ii) At 31 December 2022, the intangible asset with indefinite useful life held by the Group was trademark. The recoverable amount of the trademark is determined based on value-in-use calculations of deemed royalty income from trademark. The deemed royalty income from trademark is based on forecasts prepared by the directors of the Company covering a five-year period and expected royalty rate. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.12% (2021: 2.0%). The cash flows are discounted using a discount rate of 17.90% (2021: 17.38%).

13 GOODWILL

	HK$'000
Cost:	
At 1 January 2021	662,320
Exchange adjustments	19,441
At 31 December 2021 and 1 January 2022	681,761
Exchange adjustments	(57,773)
At 31 December 2022	623,988
Impairment losses:	
At 1 January 2021	–
Additions	64,747
Exchange adjustments	926
At 31 December 2021 and 1 January 2022	65,673
Exchange adjustments	(5,565)
At 31 December 2022	60,108
Carrying amount:	
At 31 December 2022	563,880
At 31 December 2021	616,088

13 GOODWILL (CONTINUED)

Impairments tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to the operations of the Group as follows:

	Note	**2022** **HK$'000**	2021 HK$'000
Operations in intelligent railway transportation services			
– Suzhou Huaqi Intelligent Technology Co., Ltd. ("Huaqi Intelligent")	(i)	**500,977**	547,361
– Provision of application solution service	(ii)	**52,866**	57,761
Operations related to the civil communication transmission business	(iii)	**10,037**	10,966
		563,880	616,088

Key assumptions

The recoverable amount of the CGU of Huaqi Intelligent, the CGU of provision of application solution service and the CGU of operations related to the civil communication transmission business were determined based on value-in-use calculations. There calculations used cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate. The cash flows are discounted using a discount rate, which are pre-tax and reflect specific risks relating to the relevant segments.

The key assumptions used in the value-in-use calculation for the three CGUs include:

	2022	2021
Operations in intelligent railway transportation services		
– Huaqi Intelligent		
Steady growth rate	**2.12%**	2.00%
Pre-tax discount rate	**12.22%**	12.84%
– Provision of application solution service		
Steady growth rate	**2.60%**	2.00%
Pre-tax discount rate	**14.87%**	14.71%
Operations related to the civil communication transmission business		
Steady growth rate	**2.60%**	2.00%
Pre-tax discount rate	**15.06%**	16.40%

The recoverable amount of the CGU of Huaqi Intelligent, the CGU of provision of application solution service and the CGU of operations related to the civil communication transmission business were estimated to be HK$699,653,000, HK$69,417,000 and HK$258,592,000 as at 31 December 2022, respectively, which exceeded the carrying amount by HK$22,478,000, HK$4,183,000 and HK$57,306,000, respectively. No impairment was therefore required.

(Expressed in HK$ unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest		Principal activities
			The Group's effective interest	Held by subsidiaries	
BII Transit Systems (Beijing) Co., Ltd.* 億雅捷交通系統(北京)有限公司**	The PRC	RMB50,000,000	100%	100%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, sale of related software, hardware and spare parts in utility tunnel areas
BII Transit Systems (HK) Co., Ltd.	Hong Kong	1,000 shares	100%	100%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies
BII Transportation Technology (Beijing) Co., Ltd.* 北京京投億雅捷交通科技有限公司	The PRC	RMB130,000,000	100%	100%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, sale of related software, hardware and spare parts in utility tunnel areas
BII Technology Development Co., Ltd.* 北京京投卓越科技發展有限公司	The PRC	RMB300,000,000	100%	100%	Provision of civil communication transmission services, design, implementation and sale of related software
China City Railway Transportation Technology Investment Company Limited ("CCRTT Investment")	Hong Kong	18,000,010 shares	70%	70%	Investment holding
BII Information Security Technology Development Co., Ltd. ("BII XIN'AN")* 北京京投信安科技發展有限公司	The PRC	RMB50,000,000	51%	51%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by subsidiaries	Principal activities
Huaqi Intelligent* 蘇州華啟智能科技有限公司**	The PRC	RMB60,000,000	98.7%	98.7%	Design, production and sale of produce on-board passenger information system ("on-board PIS"), train control and remote diagnosis system and train network control system
Litmus Technologies (Beijing) Co., Ltd. ("Litmus")* 北京樂碼仕智能科技有限公司	The PRC	RMB14,285,700	51%	51%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, sale of related software

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

** These companies are foreign owned enterprises established in the PRC.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the financial information of CCRTT Investment, BII XIN'AN, Huaqi Intelligent and Litmus, the major subsidiaries of the Group which have non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	CCRTT Investment		BII XIN'AN		Huaqi Intelligent		Litmus	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Effective NCI percentage	**30%**	30%	**49%**	49%	**1.3%**	5%	**49%**	49%
Revenue	**–**	–	**92,648**	86,524	**634,165**	632,883	**51,500**	55,279
Profit/(loss) for the year	**15,229**	5,901	**(11,309)**	8,894	**93,352**	100,672	**338**	10,315
Profit/(loss) attributable to NCI	**4,569**	1,770	**(5,545)**	4,358	**4,254**	4,890	**–**	5,054
Non-current assets	**80,250**	65,872	**470**	8,885	**83,171**	74,146	**1,360**	882
Current assets	**9,049**	8,198	**127,701**	119,517	**1,265,831**	1,172,498	**82,203**	86,618
Current liabilities	**8,024**	7,024	**104,987**	81,670	**468,152**	365,282	**35,100**	30,952
Non-current liabilities	**–**	–	**–**	7,056	**7,648**	4,471	**–**	2,576
Net assets	**81,275**	67,046	**23,184**	39,676	**873,202**	876,891	**48,463**	53,972
Net assets attributable to NCI	**24,683**	20,114	**10,622**	18,652	**14,904**	49,000	**25,862**	27,177

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	2022 HK$'000	2021 HK$'000
Unlisted equity investments at cost	**379,165**	420,359
Share of results	**44,427**	(3,050)
Dividend	**(8,359)**	(5,435)
Exchange adjustments	**(8,062)**	6,849
	407,171	418,723

(Expressed in HK$ unless otherwise indicated)

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Details of the Group's interests in joint ventures and associates are as follows:

				Proportion of ownership interest			
Name of joint venture/ associate	Note	Place of establishment and operations	Particulars of registered and paid up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Joint ventures							
Beijing Metro Science and Technology Development Co., Ltd. ("Metro Science and Technology")* 北京地鐵科技發展有限公司	(i)	The PRC	RMB30,000,000	49%	–	49%	Maintenance of application solutions for the networking and controlling systems of public transport companies
Beijing Metro Co., Ltd. ("Beijing Metro")* 北京京城地鐵有限公司	(ii)	The PRC	RMB500,000,000	49%	49%	–	Subway operations management
Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership) ("Chuangying Centre")* 北京基石創盈投資管理中心（有限合夥）	(iii)	The PRC	RMB2,000,000	20%	–	20%	Management of assets and investment
Associates							
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership) ("Cornerstone Lianying") * 保定基石連盈創業投資基金中心（有限合夥）	(iv)	The PRC	RMB298,000,000	8.39%	–	8.39%	Investment holding
Suzhou YQK Electronic Technology Co., Ltd.* 蘇州易啟康電子科技有限公司	(iv)	The PRC	RMB14,350,000	13.94%	–	13.94%	Research and production of "on-board PIS" products
Suzhou Shida Xunyuan Electronic Technology Co., Ltd.* 蘇州視達訊遠電子科技有限公司	(iv)	The PRC	RMB6,400,000	20%	–	20%	Production of railway accessories
Guangdong Zhongcheng Transportation Technology Co.,Ltd.* 廣東眾城交通技術有限公司	(iv)	The PRC	RMB19,437,500	26.50%	–	26.50%	Production of railway accessories
Zhongci Jiangsu Transportation Industry Co.,Ltd.* 中磁江蘇交通產業股份有限公司	(iv)	The PRC	RMB7,771,529.36	25.73%	–	25.73%	Production of railway accessories
Tianjin Wuyang Zhitong Intelligent Technology Co., Ltd.* 天津五洋智通智慧科技有限公司	(iv)	The PRC	RMB10,000,000	49%	–	49%	Production of railway accessories

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Notes:

(i) Metro Science and Technology was established on 18 February 2016 by the Group, through a subsidiary, with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the maintenance of application solutions for the networking and controlling systems of public transport in Mainland China. Metro Science and Technology is a private company whose quoted market price is not available.

(ii) Beijing Metro was established on 15 February 2016 by the Company with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the operational management for subway lines in Beijing. Beijing Metro is a private company whose quoted market price is not available.

(iii) The Group is a limited partner of Chuangying Centre, which are partnership entities and have two other partners, respectively. The Group provided 20% capital contribution into these two partnership entities. Pursuant to the partnership agreement, the Group has joint control over the governing body of respective partnership.

(iv) According to the investment agreements or articles of these companies, the Group has rights to designate one or more directors in these companies.

All of the above joint ventures and associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Metro Science and Technology		Beijing Metro	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Gross amounts of the joint ventures				
Current assets	**472,838**	452,675	**403,959**	286,930
Non-current assets	**12,582**	9,876	**1,421,947**	1,488,700
Current liabilities	**321,638**	328,113	**169,542**	108,116
Non-current liabilities	**–**	–	**1,126,951**	1,185,202
Net assets	**163,782**	134,438	**529,413**	482,312
Included in the above assets and liabilities:				
Cash and cash equivalents	**106,688**	101,763	**113,510**	18,273
Current financial liabilities (excluding trade and other payables and provisions)	**7,289**	9,871	**3,157**	3,807
Revenue	**474,671**	431,091	**418,235**	433,064
Profit and total comprehensive income for the year ended 31 December	**31,447**	12,369	**50,884**	55,936
Dividend received	**2,103**	2,487	**3,783**	5,374
Included in the above profit:				
Depreciation	**1,151**	3,351	**64,177**	50,512
Interest income	**606**	544	**548**	5,091
Interest expense	**–**	–	**44,826**	48,831
Income tax	**3,538**	(107)	**5,448**	8,007
Reconciled to the Group's interests in the joint ventures				
Gross amounts of the joint ventures' net assets	**163,782**	134,438	**529,413**	482,312
Carrying amounts in the consolidated financial statements	**80,253**	65,875	**259,412**	236,333

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Aggregate information of joints ventures and associates that are not individually material are listed below:

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial joint ventures and associates in the consolidated financial statements (Note 16(iii))	**67,506**	116,515
Aggregate amounts of the Group's share of those joint ventures and associates' profit from continuing operation	**12,570**	23,242

16 OTHER FINANCIAL ASSETS

	Note	**2022 HK$'000**	2021 HK$'000
Non-current assets			
Equity investments measured at FVPL			
– Beijing Cornerstone Huiying Venture Capital Investment Centre (Limited Liability Partnership) ("Cornerstone Huiying") 北京基石慧盈創業投資中心(有限合夥)	(i)	**31,342**	30,883
– Youdao Technology Co., Ltd. ("Youdao Technology") 友道科技有限公司	(ii)	**39,133**	36,693
		70,475	67,576
Equity investments designated at FVOCI (non-recycling)			
– Beijing Ruubypay Science and Technology Co.,Ltd. ("Ruubypay") 北京如易行科技有限公司	(iii)	**52,261**	–
		122,736	67,576

Notes:

(i) Cornerstone Huiying was established on 19 August 2020 and engaged in providing equity investment services. The Group holds 5% ownership of interest of Cornerstone Huiying. The equity investment is accounted as FVPL.

(ii) Youdao Technology was established on 10 March 2016 and engaged in providing education services regarding rail transit. The Group holds 7.14% ownership of interest of Youdao Technology and the investment in Youdao Technology is redeemable at the option of the Group in case of occurrence of certain triggering events. The equity investment is accounted as FVPL.

(iii) Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership) ("Cornerstone Chuangying"), a joint venture of the Group, was wound up and distributed its equity interests in Ruubypay to its investors on 1 November 2022. The Group acquired 8.54% equity interest of Ruubypay in return of its investment in Cornerstone, which resulted a gain on disposal of HK$6,392,000 during the year ended 31 December 2022. Ruubypay was established on 3 March 2017 and engaged in providing mobile payment technology and information service solutions in the field of public transport travel. Given the investment strategy of the Group, the directors of the Company designated the investment in Ruubypay as FVOCI (non-recycling).

17 INVENTORIES AND OTHER CONTRACT COSTS

(a) Inventories in the consolidated statement of financial position comprise:

	2022 HK$'000	2021 HK$'000
Application solution related software, hardware and spare parts	**407,299**	422,114
Materials to be assigned to services contracts	**38,898**	49,110
	446,197	471,224

(b) The analysis of the amount of inventories recognised profit or loss during the year is as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount of inventories sold	**802,843**	797,745

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 HK$'000	2021 HK$'000
Contract assets		
Arising from performance under contracts with customers	**659,749**	686,535
Less: loss allowance	**(47,946)**	(55,505)
	611,803	631,030
Trade receivables and bills receivable from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (Note 19)	**869,793**	713,245

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's service contracts include payment schedules which require stage payments over the service period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a one to three years retention period after the performance of sales contracts, during which credit term may be granted to customers for retentions receivable, depending on the market practice of the industry and credit assessment carried out by management on an individual customer basis.

The amount of contract assets that is expected to be recovered after more than one year is HK$69,913,000 (2021: HK$38,361,000), all of which relates to retentions.

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2022 HK$'000	2021 HK$'000
Contract liabilities		
Service contracts		
– Billings in advance of performance	**39,702**	68,799

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

MOVEMENTS IN CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**68,799**	59,722
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(65,195)**	(60,608)
Increase in contract liabilities as a result of billing in advance of service	**41,105**	67,828
Exchange adjustments	**(5,007)**	1,857
Balance at 31 December	**39,702**	68,799

The amount of billings in advance of performance and forward sales deposits received expected to be recognised as income within one year is HK$39,702,000 (2021: HK$68,799,000).

19 TRADE AND OTHER RECEIVABLES

	Note	2022 HK$'000	2021 HK$'000
Trade receivables due from:			
– third parties		**565,492**	484,688
– affiliates of an equity shareholder of the Company		**60,902**	67,477
– a joint venture of the Group		**282**	1,167
Bills receivable		**282,301**	187,303
		908,977	740,635
Amounts due from related parties:	19(b)		
– equity shareholders of the Company and their affiliates		**3,294**	6,792
– an associate of the Group		**1,097**	–
		4,391	6,792
		913,368	747,427
Less: loss allowance of trade receivables		**(39,184)**	(27,390)
Prepayments, deposits and other receivables		**83,680**	97,295
VAT recoverable		**18,078**	14,801
Financial assets measured at amortised cost		**975,942**	832,133
Fair value of put-options in connection with acquisition of Litmus	19(c)	**–**	1,069
		975,942	833,202

All of the trade and other receivables are expected to be settled or recognised as expenses within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivables, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**715,804**	597,147
Over 1 year	**193,173**	143,488
	908,977	740,635

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 29(a).

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Amounts due from related parties

Amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Put-options in connection with acquisition of Litmus

Pursuant to the acquisition agreements of Litmus, the former equity holders of Litmus granted three put-options to the Group. Each put-option gives the Group the right to put back its equity interests in Litmus to the former equity holders. The exercise price of these put-options are determined based on the highest amount among calculation results of pre-determined formulae and valuation report issued by qualified valuation firm.

Put-options were granted under vesting conditions with reference to financial performance of Litmus during the years ended 31 December 2020, 2021, and 2022. The commencement date of the vesting conditions varies and is separately determined for each put-option granted upon the grant date. These put-options have been lapsed by the end of 2022 and the Group derecognised these put-options as at 31 December 2022.

20 LOANS TO AN ASSOCIATE

On 11 June 2021, a subsidiary of the Group granted a loan of RMB4,000,000 (equivalent to approximately HK$4,892,000) to an associate of the Group, which beared an interest rate of 4.35% per annum. The loan was secured by a related party of the Group.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2022 **HK$'000**	2021 HK$'000
Cash on hand and at bank	**667,370**	848,043
Restricted bank deposits	**141,281**	45,332
Cash and cash equivalents in the consolidated statement of financial position	**808,651**	893,375
Less: restricted bank deposits (Note 32)	**(141,281)**	(45,332)
Cash and cash equivalents in the consolidated cash flow statement	**667,370**	848,043

The Group's operations in the PRC (excluding Hong Kong) are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding Hong Kong) is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Dividends/ distributions payable HK$'000	Interest payable HK$'000	Total HK$'000
At 1 January 2022	348,775	58,267	2,107	151	409,300
Changes from financing cash flows for 2022:					
Proceeds of bank and other borrowings	88,237	–	–	–	88,237
Repayment of bank and other borrowings	(47,560)	–	–	–	(47,560)
Capital element of lease rentals paid	–	(17,449)	–	–	(17,449)
Interest element of lease rentals paid	–	(2,326)	–	–	(2,326)
Interest paid	–	–	–	(6,688)	(6,688)
Dividends paid to equity shareholders of the Company	–	–	(56,623)	–	(56,623)
Distributions paid to non-controlling interests	–	–	(2,316)	–	(2,316)
Total changes from financing cash flows	40,677	(19,775)	(58,939)	(6,688)	(44,725)
Other changes:					
Net increase in lease liabilities	–	207	–	–	207
Interest expense	–	2,326	–	6,680	9,006
Dividends/distributions declared	–	–	59,970	–	59,970
Exchange adjustments	(5,522)	(1,167)	–	–	(6,689)
Total other changes	(5,522)	1,366	59,970	6,680	62,494
At 31 December 2022	383,930	39,858	3,138	143	427,069

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Dividends/ distributions payable HK$'000	Interest payable HK$'000	Total HK$'000
At 1 January 2021	571,412	22,478	1,979	1,354	595,244
Changes from financing cash flows for 2021:					
Proceeds of bank and other borrowings	52,174	–	–	–	52,174
Repayment of bank and other borrowings	(276,557)	–	–	–	(276,557)
Capital element of lease rentals paid	–	(11,336)	–	–	(11,336)
Interest element of lease rentals paid	–	(1,256)	–	–	(1,256)
Interest paid	–	–	–	(26,999)	(26,999)
Dividends paid to equity shareholders of the Company	–	–	(52,428)	–	(52,428)
Distributions paid to non-controlling interests	–	–	(3,156)	–	(3,156)
Total changes from financing cash flows	(224,383)	(12,592)	(55,584)	(26,999)	(319,558)
Other changes:					
Net increase in lease liabilities	–	47,698	–	–	47,698
Interest expense	–	1,256	–	25,782	27,038
Dividends/distributions declared	–	–	55,712	–	55,712
Exchange adjustments	1,746	(573)	–	14	1,187
Total other changes	1,746	48,381	55,712	25,796	131,635
At 31 December 2021	348,775	58,267	2,107	151	409,300

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows	**10,345**	15,452
Within financing cash flows	**19,775**	12,592
	30,120	28,044

22 TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables due to:		
– third parties	**703,439**	625,225
– affiliates of equity shareholders of the Company	**32,843**	55,724
– a joint venture of the Group	**19,028**	11,048
– associates of the Group	**44,059**	1,407
Bills payables	**116,250**	129,891
	915,619	823,295
Payable for acquisition	**83,689**	91,438
Payable for acquisition of non-controlling interests (Note 28)	**45,561**	–
Accrued expenses and other payables	**126,555**	118,448
Financial liabilities measured at amortised cost	**1,171,424**	1,033,181
Other taxes payables	**23,921**	31,456
Put-options in connection with share-based transaction (Note 28)	**–**	11,573
	1,195,345	1,076,210

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills payables (which are included in trade and other payables), based on the maturity date, is as follows:

	2022 HK$'000	2021 HK$'000
Due within 1 month or on demand	**847,843**	719,554
Due after 1 month but within 6 months	**58,427**	92,733
Due after 6 months but within 1 year	**9,349**	11,008
	915,619	823,295

23 BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	Note	2022 HK$'000	2021 HK$'000
Bank loans			
– Guaranteed and unsecured		–	35,321
– Unguaranteed and unsecured		83,930	13,454
Borrowings from a related party	(i)	300,000	300,000
		383,930	348,775

Notes:

(i) At 31 December 2022, the borrowings from a related party were pledged by the Company's equity interests in a subsidiary.

(ii) Some of the Group's bank loans are subject to fulfilment of covenants commonly found in lending agreements with financial institutions. If the Group were to breach the covenants, the drawn down loans would become payable on demand. The Group's management regularly monitors its compliance with these covenants. As at 31 December 2022, none of the covenants relating to the drawn down facilities has been breached.

All of the bank and other borrowings are carried at amortised cost and carrying amount repayable are as follows:

	2022 HK$'000	2021 HK$'000
Bank loans:		
– Within 1 year	83,930	48,775
Borrowings from a related party:		
– After 1 year	300,000	300,000
	383,930	348,775
Less: amounts due within 1 year shown under current liabilities	(83,930)	(48,775)
Amounts shown under non-current liabilities	300,000	300,000

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	At 31 December 2022		At 31 December 2021	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**17,640**	**18,023**	17,747	18,315
After 1 year but within 2 years	**8,727**	**9,357**	18,564	19,854
After 2 years but within 5 years	**13,491**	**15,530**	21,956	25,862
	22,218	**24,887**	40,520	45,716
	39,858	**42,910**	58,267	64,031
Less: total future interest expenses		**(3,052)**		(5,764)
Present value of lease liabilities		**39,858**		58,267

25 PROVISION FOR WARRANTIES

	2022 HK$'000	2021 HK$'000
At 1 January	**11,682**	10,425
Addition in provision	**14,845**	19,379
Utilised	**(11,415)**	(18,442)
Exchange adjustments	**(1,107)**	320
At 31 December	**14,005**	11,682
Less: provision within one year	**(8,461)**	(9,895)
	5,544	1,787

The above represents the warranty costs for repairs, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and replacement. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**24,508**	24,670
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**38,288**	31,074
Income tax paid during the year	**(29,392)**	(31,236)
At 31 December	**33,404**	24,508

(b) Deferred tax assets and liabilities recognised:

The component of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets									Liability	
Deferred tax arising from:	Amortisation and depreciation expenses in excess of the tax allowances HK$'000	Accruals HK$'000	Credit losses allowance HK$'000	Write-down of inventories HK$'000	Impairment of property, plant and equipment HK$'000	Tax difference in other equity security HK$'000	Deferred income HK$'000	Provision for warranties HK$'000	Total HK$'000	Fair value adjustments on intangible assets and related amortisation HK$'000	Net HK$'000
Balance at 1 January 2021	3,800	14,193	15,888	3,453	3,193	–	225	1,564	42,316	(52,998)	(10,682)
Exchange adjustments	4	442	399	101	94	–	8	48	1,096	(1,550)	(454)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(959)	2,102	(4,610)	–	–	–	103	140	(3,224)	2,959	(265)
Balance at 31 December 2021 and 1 January 2022	**2,845**	**16,737**	**11,677**	**3,554**	**3,287**	**–**	**336**	**1,752**	**40,188**	**(51,589)**	**(11,401)**
Exchange adjustments	**(195)**	**(780)**	**(1,041)**	**(260)**	**(279)**	**(395)**	**(28)**	**(166)**	**(3,144)**	**4,581**	**1,437**
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	**(1,079)**	**(14,483)**	**1,608**	**(1,202)**	**–**	**11,554**	**(10)**	**514**	**(3,098)**	**3,084**	**(14)**
Balance at 31 December 2022	**1,571**	**1,474**	**12,244**	**2,092**	**3,008**	**11,159**	**298**	**2,100**	**33,946**	**(43,924)**	**(9,978)**

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of unused tax losses, impairment provision and accruals arising from certain subsidiaries of the Group of HK$234,281,000 (2021: HK$184,206,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of HK$154,480,000 which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2022 will expire on or before 31 December 2026.

(d) Deferred tax liabilities not recognised

At 31 December 2022, temporary differences relating to the retained profits of the subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to HK$1,352,320,000 (2021: HK$1,343,469,000) of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$'000 (Note 27(c))	Share premium HK$'000 (Note 27(d)(i))	Capital reserve HK$'000 (Note 27(d)(ii))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2021	20,971	1,771,241	52,991	(89,086)	1,756,117
Changes in equity for 2021:					
Total comprehensive income	–	–	–	31,207	31,207
Dividends declared in respect of the previous year (Note 27(b)(ii))	–	(52,428)	–	–	(52,428)
Balance at 31 December 2021 and 1 January 2022	**20,971**	**1,718,813**	**52,991**	**(57,879)**	**1,734,896**
Changes in equity for 2022:					
Total comprehensive income	**–**	**–**	**–**	**20,171**	**20,171**
Dividends declared in respect of the previous year (Note 27(b)(ii))	**–**	**(56,623)**	**–**	**–**	**(56,623)**
Balance at 31 December 2022	**20,971**	**1,662,190**	**52,991**	**(37,708)**	**1,698,444**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(I) DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2022 HK$'000	2021 HK$'000
Final dividend proposed after the end of the reporting period of HK$2.6 cents per ordinary share (2021: HK$2.7 cents)	**54,526**	56,623

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(II) DIVIDENDS TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE PREVIOUS FINANCIAL YEAR, APPROVED DURING THE CURRENT YEAR

	2022 HK$'000	2021 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$2.7 cents per ordinary share (2021: HK$2.5 cents)	**56,623**	52,428

(c) Share capital

AUTHORISED AND ISSUED SHARE CAPITAL

	2022		2021	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised: Ordinary shares of HK$0.01 each	**5,000,000,000**	**50,000**	5,000,000,000	50,000
Issued and fully paid:				
At 1 January and 31 December	**2,097,146,727**	**20,971**	2,097,146,727	20,971

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(I) SHARE PREMIUM

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(II) CAPITAL RESERVE

The capital reserve represents (i) the difference between the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the reorganisation took place in 2011; (ii) the portion of the grant date fair value of unexercised share options granted to directors and equity shareholder of the Company and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments; and (iii) the share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received.

(III) STATUTORY RESERVES

In accordance with the articles of association of the subsidiaries of the Group established in the PRC (excluding Hong Kong), these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers to these reserves are governed by the articles of association of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(IV) EXCHANGE RESERVE

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(w).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

28 ACQUISITION OF NON-CONTROLLING INTERESTS

Six put-options were granted by the Group to two limited partnerships (the "Holders"), which are collectively owned by management personnel of Huaqi Intelligent. Subject to vesting conditions and performance conditions, each put-option gives the Holders the right to put part/all of their owned equity interests in Huaqi Intelligent to the Group. As at 31 December 2021, the outstanding and exercisable put-options represent 2.7% equity interests in Huaqi Intelligent and the fair value of the liabilities arising from the put-options was HK$11,573,000.

On 16 December 2022, the Holders, Huaqi Intelligent and a subsidiary of the Group, entered into an equity transfer agreement. Pursuant to the equity transfer agreement, the Holders exercised its put-options in full and transferred additional 1% equity interests in Huaqi Intelligent to the Group. As agreed among parties, the total consideration was no more than RMB42,510,600 (equivalent to approximately HK$47,588,000), including a contingent component of RMB1,810,600 (equivalent to approximately HK$2,027,000), which is subject to downward adjustment based on fair value loss of 1% equity interest in Huaqi Intelligent up to 31 December 2025. The contingent component, if any, is on due on 31 December 2025, while rest part of the consideration was on demand.

	HK$'000
Carrying amount of non-controlling interests acquired	36,392
Settlement of put-options in connection with share-based transaction	10,592
Considerations payable	(45,561)
Contingent considerations	(2,027)
A decrease in equity attributable to owners of the Company	(604)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and debt investments is limited because the counterparties are mainly banks and financial institutions with sound credit standing, for which the Group considers to have low credit risk.

TRADE RECEIVABLES AND CONTRACT ASSETS

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2022, 4% (2021: 6%) of the trade receivables and contract assets were due from the Group's largest debtor, and 20% (2021: 20%) of the trade receivables and contract assets were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group does not provide any other guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	As at 31 December 2022		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Within 1 year	**2.32%**	**762,400**	**(17,702)**
More than 1 year but within 2 years	**6.99%**	**265,942**	**(18,584)**
More than 2 years but within 3 years	**10.00%**	**92,270**	**(9,224)**
More than 3 years	**25.10%**	**165,813**	**(41,620)**
		1,286,425	**(87,130)**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

	As at 31 December 2021		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Within 1 year	2.20%	772,468	(16,965)
More than 1 year but within 2 years	5.44%	227,869	(12,394)
More than 2 years but within 3 years	11.37%	70,150	(7,974)
More than 3 years	26.90%	169,380	(45,562)
		1,239,867	(82,895)

Expected loss rates are based on actual loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**82,895**	73,499
Exchange adjustments	**(7,415)**	2,258
Impairment loss recognised during the year	**11,650**	7,138
Balance at 31 December	**87,130**	82,895

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on contractual undiscounted cash flows and the earliest dates the Group can be required to pay:

	2022 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank and other borrowings	**91,013**	**310,205**	**–**	**401,218**	**383,930**
Lease Liabilities	**18,023**	**9,357**	**15,530**	**42,910**	**39,858**
Trade and other payables measured at amortised cost	**1,171,424**	**–**	**–**	**1,171,424**	**1,171,424**
	1,280,460	**319,562**	**15,530**	**1,615,552**	**1,595,212**

	2021 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank and other borrowings	54,799	5,439	310,757	370,995	348,775
Lease Liabilities	18,315	19,854	25,862	64,031	58,267
Trade and other payables measured at amortised cost	1,033,181	–	–	1,033,181	1,033,181
	1,106,295	25,293	336,619	1,468,207	1,440,223

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to loans from a related party with a fixed-rate and other interest-bearing borrowings. Cash flow interest rate risk in relation to bank balances and pledged bank deposits is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates. The Group's interest rate profile as monitored by management is set out in (i) below.

(I) INTEREST RATE PROFILE

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2022		2021	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Lease liabilities	**5.14%**	**39,858**	5.14%	58,267
Bank and other borrowings	**1.18%–4.35%**	**383,930**	1.10%–4.35%	348,775
Total borrowings		**423,788**		407,042
Fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(II) SENSITIVITY ANALYSIS

Since the Group has no variable-rate borrowings at the end of the reporting period, no sensitivity analysis about interest rates risk is prepared.

(d) Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalent, other receivables and bank and other borrowings that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB, EUR and INR.

(I) EXPOSURE TO CURRENCY RISK

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$)						
	2022					2021	
	RMB '000	HKD '000	USD '000	EUR '000	INR '000	RMB '000	EUR '000
Cash and cash equivalent	**39,487**	**–**	**141,261**	**8,073**	**10,075**	–	40,483
Trade and other receivables	**–**	**74**	**9,796**	**6,741**	**–**	17,025	–
Bank and other borrowings	**–**	**–**	**–**	**–**	**–**	–	(35,321)
Gross exposure arising from recognised assets and liabilities	**39,487**	**74**	**151,057**	**14,814**	**10,075**	17,025	5,162

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(II) SENSITIVITY ANALYSIS

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits HK$'000
RMB	**10%**	**3,949**	10%	1,703
	(10)%	**(3,949)**	(10)%	(1,703)
HKD	**10%**	**6**	10%	–
	(10)%	**(6)**	(10)%	–
USD	**10%**	**14,959**	10%	–
	(10)%	**(14,959)**	(10)%	–
EUR	**10%**	**1,259**	10%	439
	(10)%	**(1,259)**	(10)%	(439)
INR	**10%**	**856**	10%	–
	(10)%	**(856)**	(10)%	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and retained profits measured in the respective functional currencies, translated into HK$ at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company receivables within the Group which are denominated in a currency other than the functional currencies of the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2021.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value

(I) FAIR VALUE HIERARCHY

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2022	Fair value measurement as at 31 December 2022 categorised into Level 3
	HK$'000	HK$'000
Recurring fair value measurement		
Financial assets:		
Other financial assets measured at FVPL	**70,475**	**70,475**
Other financial assets designated at FVOCI	**52,261**	**52,261**
Financial liabilities:		
Contingent considerations	**2,027**	**2,027**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value (continued)

(I) FAIR VALUE HIERARCHY (CONTINUED)

	Fair value at 31 December 2021	Fair value measurement as at 31 December 2021 categorised into Level 3
	HK$'000	HK$'000
Recurring fair value measurement		
Financial assets:		
Other financial assets measured at FVPL	67,576	67,576
Put-options in connection with acquisition of Litmus	1,069	1,069
Contingent considerations	27	27

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(II) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

Other financial assets measured at FVPL

The valuation model of the fair value of unlisted equity investment in Cornerstone Huiying is based on adjusted recent transaction price or market multiples derived from quoted prices of companies comparable to the underlying investments, adjusted for the effect of the non-marketability of the underlying investments and price to equity value of the investee.

The valuation model of the fair value of unlisted equity investment in Youdao Technology is based on market multiples derived from quoted prices of companies comparable to the underlying investments, adjusted for the effect of the non-marketability of the underlying investments and price to earnings ratios of the investee.

As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the profit/equity of the Group by HK$391,000 (2021: Nil).

Other financial assets designated at FVOCI

The valuation model of the fair value of unlisted equity investment in Ruubypay is based on the EV/EBIDA multiples of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the equity by HK$493,000 (2021: Not applicable).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value (continued)

(III) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Contingent considerations:

The fair value of contingent considerations are determined using valuation model considering the present value of expected receivables or payments, discounted using a risk-free discount rate.

	2022 HK$'000	2021 HK$'000
Other financial assets measured at FVPL:		
Balance at 1 January	**67,576**	–
Increase due to investment	**–**	67,270
Gain included in "Fair value changes in other financial assets"		
– Net changes in fair value (unrealised)	**8,930**	302
(Loss)/gain included in "Other comprehensive income"		
– Net foreign exchange (loss)/gain	**(6,031)**	4
Balance at 31 December	**70,475**	67,576
Other financial assets designated at FVOCI:		
Balance at 1 January	**–**	–
Increase due to investment	**52,261**	–
Balance at 31 December	**52,261**	–
Put-options in connection with acquisition of Litmus:		
Balance at 1 January	**1,069**	1,039
Loss included in "Fair value changes in put-options"		
– Net changes in fair value (realised)	**(1,069)**	–
Gains included in "Other comprehensive income"		
– Net foreign exchange gain	**–**	30
Balance at 31 December	**–**	1,069
Contingent considerations receivable:		
Balance at 1 January	**27**	52
Loss included in "Fair value changes in contingent considerations"		
– Net changes in fair value (realised)	**(27)**	(26)
Gains included in "Other comprehensive income"		
– Net foreign exchange gain	**–**	1
Balance at 31 December	**–**	27
Contingent considerations payable:		
Balance at 1 January	**–**	–
Increase from acquisition of non-controlling interests	**2,027**	–
Balance at 31 December	**2,027**	–

(f) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2022 and 2021.

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with equity shareholders of the Company and their affiliates

	2022 HK$'000	2021 HK$'000
Repayment of loans from a fellow subsidiary	–	(200,000)
Repayment of loans to an associate	4,636	–
Interest of loans from a fellow subsidiary	5,224	24,809
Interest income from loans to an associate	73	573
Provision of design, implementation and sale of application solution services	221,914	232,379
Provision of maintenance of application solution services	55,913	62,758
Purchases of goods and service	49,199	43,635
Lease expenses	2,122	7,919
Net increase in contract liabilities	198	5,399

(b) Transactions with joint ventures and associates

	2022 HK$'000	2021 HK$'000
Purchases of goods and services	179,098	146,071
Provision of design, implementation and sale of application solution services	4,663	21,399
Dividend from joint ventures and associates	8,359	2,802

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	9,702	21,180
Retirement scheme contributions	763	818
	10,465	21,998

Total remuneration is included in "staff costs" (see Note 6(b)).

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with other state-controlled entities in the PRC

The ultimate holding company of the Company, 北京市基礎設施投資有限公司 ("Beijing Infrastructure Investment Co., Ltd.") ("BII"), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 30(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- provision of design, implementation and sale of application solution services;
- maintenance of application solution services;
- infrastructure information related services;
- bank deposits; and
- bank loans

(e) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2022, the above related party transactions in respect of the provision of design, implementation and sale of application solution services, the provision of maintenance of application solution services and leases, with affiliates of equity shareholders of the Company where applicable, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing connected transactions" of the Directors' Report.

31 THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	**2022 HK$'000**	2021 HK$'000
Non-current assets			
Investments in subsidiaries	14	**570,757**	570,757
Interest in a joint venture		**294,735**	294,735
		865,492	865,492
Current assets			
Other receivables		**1,003,546**	1,003,618
Cash and cash equivalents		**144,312**	166,573
		1,147,858	1,170,191
Current liability			
Accrued expenses and other payables		**14,906**	787
Net current assets		**1,132,952**	1,169,404
Total assets less current liability		**1,998,444**	2,034,896
Non-current liabilities			
Other borrowings		**300,000**	300,000
		300,000	300,000
NET ASSETS		**1,698,444**	1,734,896
CAPITAL AND RESERVES	27		
Share capital		**20,971**	20,971
Reserves		**1,677,473**	1,713,925
TOTAL EQUITY		**1,698,444**	1,734,896

Approved and authorised for issue by the board of directors on 27 March 2023.

Liu Yu
Director

Guan Jifa
Director

(Expressed in HK$ unless otherwise indicated)

32 CONTINGENCY

In 2018, the Group acquired 95% equity interests of Huaqi Intelligent with certain considerations deferred and adjustable to the performance of Huaqi Intelligent during the calendar years of 2019, 2020 and 2021 (the "Deferred Considerations"). At 31 December 2022, the unpaid Deferred Considerations of the Group, of which amount was confirmed by the former shareholder of Huaqi Intelligent (the "Former Shareholder") in written, was RMB74,760,000 (equivalent to approximately HK$83,689,000) and recognised as "trade and other payables" of the Group. The Former Shareholder pledged its contractual rights to the Deferred Considerations to a bank for certain bank borrowings. As a result of default of the Former Shareholder, the bank has taken legal action against the Former Shareholder and sued the Company as one of the defendants. On 10 February 2022, the Company received an execution notice from Beijing Financial Court to freeze its deposits of HK$95,304,000 in the relevant bank for the period from 10 February 2022 to 9 February 2025.

After consultation with legal advisor of the Company, the directors of the Company are of the opinion that the Group is only liable for the unpaid Deferred Considerations, which has already been recorded as liability of the Group, to the Former Shareholder as well as the bank. No further provision is needed for the legal suit as mentioned above. The directors are of the opinion that the freeze of bank deposits of the Company has no significant impact on either the Company's or the Group's liquidity.

33 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2022, the directors of the Company consider the immediate and ultimate controlling party of the Company to be Beijing Infrastructure Investment (Hong Kong) Limited, a company incorporated in Hong Kong, and BII, a company established in the PRC, respectively. Neither of these companies produces financial statements available for public use.

34 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

京投軌道交通科技控股有限公司
BII Railway Transportation Technology Holdings Company Limited

This annual report is printed on environmental friendly paper