北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

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

Stock Code: 1599

2017
Annual Report




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DEFINITIONS

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

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

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"PRC" or "China"	the People's Republic of China
"Reporting Period" or "the Year"	the year ended 31 December 2017
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of the Company, including H Share(s) and Domestic Share(s)
"Supervisor(s)"	supervisor(s) of the Company
"Anhui Jingjian"	Anhui Jingjian Capital Construction Investment Co., Ltd.
"Yunnan Jingjian"	Yunnan Jingjian Capital Construction Investment Co., Ltd.
"Guizhou Jingjian"	Guizhou Jingjian Capital Construction Investment Co., Ltd.
"%"	Per cent

CORPORATE INFORMATION

REGISTERED NAME:

Chinese:
北京城建設計發展集團股份有限公司

English
Beijing Urban Construction Design & Development Group Co., Limited

LISTING PLACE OF H SHARES:

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK:

H shares

STOCK NAME:

UCD

STOCK CODE:

1599

H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:

5 Fuchengmen North Street,
Xicheng District,
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

18/F, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

LEGAL REPRESENTATIVE:

Ms. Wang Liping

SECRETARY OF THE BOARD

Mr. Xuan Wenchang

JOINT COMPANY SECRETARIES

Mr. Xuan Wenchang
Ms. Kwong Yin Ping Yvonne (a member of the Hong Kong Institute of Chartered Secretaries)

WEBSITE:

www.bjucd.com

AUDITORS:

Ernst & Young

LEGAL ADVISORS:

As to Hong Kong Laws:
Clifford Chance

As to PRC Laws:
Haiwen & Partners

FINANCIAL SUMMARY

For the year ended 31 December 2017, the Group achieved revenue of RMB6,973 million, while the net profit for the Reporting Period amounted to RMB512 million.

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

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

	Year ended 31 December			
	2017		2016	
	RMB'000	% of operating revenue	RMB'000	% of operating revenue
Design, survey and consultancy	**2,976,736**	**42.69**	2,212,180	43.46
Construction contracting	**3,995,809**	**57.31**	2,877,893	56.54
Total	**6,972,545**	**100.00**	5,090,073	100.00

For the year ended 31 December 2017, the Group's total revenue was RMB6,973 million, representing an increase of RMB1,883 million, or 36.99% compared with the corresponding period of last year, which was mainly attributable to the increase in revenue of approximately RMB1,118 million compared with the corresponding period of last year as a result of smooth progress of PPP projects in the construction contracting segment.

The financial information for the years of 2013, 2014, 2015, 2016 and 2017 prepared by the Group in accordance with the International Financial Reporting Standards was summarized as follows:

	As at 31 December/Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**14,341,844**	11,003,118	7,739,604	6,711,561	5,225,272
Total liabilities	**10,158,526**	7,485,646	4,725,866	4,088,871	3,666,705
Non-controlling interests	**262,742**	223,304	88,314	22,735	9,632
Interests of the owners (excluding non-controlling shareholders)	**3,920,576**	3,294,168	2,925,424	2,599,955	1,548,935
Revenue	**6,972,545**	5,090,073	4,008,513	3,346,278	2,923,485
Gross profit	**1,343,218**	1,103,034	833,976	753,916	586,702
Profit before tax	**608,755**	566,966	461,923	413,758	310,318
Profit attributable to owners of the parent	**495,919**	471,950	397,629	349,817	235,563

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the 2017 annual results on behalf of the Board.

In 2017, the Group continued to enhance its management and expand its market, thereby achieving remarkable results with rapid growth. The revenue of the Group for the year ended 31 December 2017 amounted to RMB6,973 million, representing an increase of RMB1,883 million or 36.99% compared with that of RMB5,090 million for the corresponding period of last year. The net profit achieved amounted to RMB512 million, representing an increase of RMB33 million or 6.89% compared with that of RMB479 million for the corresponding period of last year. Various key operating indicators of the Company continued to achieve new record highs, while the rail transit industry chain of the Company has presented its advantages, with rapid growth in the Group's overall comprehensive strengths.

2017 was the important year for implementing the "13th Five-Year Plan" and a crucial year for deepening the supply-side structural reform, during which the Chinese economy entered a high-quality development stage from a high-speed growth stage. The economy has achieved better-than-expected growth, laying a solid foundation for securing a decisive victory in building a moderately prosperous society in all respects. The Company's innovation and development have been provided with new opportunities arising from the accelerated implementation of significant strategic initiatives by the Chinese government, such as Made in China 2025, the "Internet Plus", rural vitalization strategy and other policies.

In 2018, the Group, by continued adherence to the customer-oriented and dedication-focused corporate culture and market-driven operating principles, is committed to strengthening its position as a leader in the urban rail transit industry. The Group will develop based on the direction of its strategic plans, and by expanding design and consultancy, strengthening construction contracting, steadily developing investment-based rail transit and other infrastructure construction PPP business as well as by promoting industrialized development through green, intelligent and technological innovation and by further improving the Company's management levels, the Company will achieve rapidly increasing results to satisfy customers, contribute to the society and bring better return for the shareholders.

Lastly, I hereby take this opportunity to express my sincere appreciation to the shareholders, customers and business partners who have been supporting and trusting the Group. I also express my gratitude for the continuous efforts and solid contributions made by our Directors, Supervisors, operating management and all staff of the Group.

Wang Liping
Chairman

Beijing, 29 March 2018

GENERAL MANAGER'S STATEMENT

Dear shareholders,

2017 is the crucial, implementing and developing year of the "13th Five-Year Plan" of the Company, and is also an extraordinary year in the development history of the Company. By insisting on customer-oriented and striving-oriented strategy and insisting on its synergetic development of the entire rail transit industry chain, the Company has overfulfilled the goal set early the year in all respects, and has promoted the leapfrog development of the Company when creating customer value.

We put emphasis on market and managed to achieve the top position in the accepted contract amount of the general contract lines in the rail transit, the new contract amount in the rail transit survey, newly-signed amount of rail transit survey business the market shares in the segment market of construction drawing review and the sales from streetcar intelligent control system. Therefore, the Company's new contract amount hit the highest record. The Company undertook the general contracts of 8 rail transit lines in Changchun, won the biddings of the pre-planning and feasibility study projects of 20 rail transit projects in Chongqing, achieved zero breakthrough in super high-rise buildings, created new brands of the construction of new type urbanization through Gao'an EPC Project. Through these projects, the Company has fully performed its leading strengths.

We attached great importance to innovation and the enhancement of growth. Partial shares of East Huangshan Project was firstly held by a government-backed development company, in charge of coordinating the planning of the project, planning and designing, land development, attracting investment and operation, and exploring new models of property development. The automatic monitored control system of the cloud platform of rail transit broke the traditional barrier to lead the future direction of technology. The Company's construction business unit featuring EPC projects doubled in new contract amount. Member enterprises centering with rail transit cultivated new growth points. Financing platform successfully issued infrastructure fund and PPP projects in Shunyi and Nanjing fell to the ground to create an infrastructure investment and financing platform featuring urban rail transit for the development layout in the future.

We laid stress on the management and promoted the development of the Company. BIM achieved its promotion target in its first year of application, officially opening the prelude of a revolution of design tool. The Company together with top four universities held the first rail transit innovation & startup competition, gathering thousands of startups and improving the Company's industry influence. The Company's ERP informatization management system went online for operation, upgrading the management informatization. The Company released the new version of the concept of corporate culture to spread the Company's reputation.

The year of 2018 is the 40th anniversary of China's Reform and Opening-up, and is also a transitional year of the "13th Five-Year Plan" and a crucial year of the upgrading and developing of Design & Development Group. Continuously insisting on the core value of "customer first, fighting will as the foundation, integrity and pragmatism, pursuit of excellence", we will improve the management and service level of the headquarters of the Company, strongly promote the design in all aspects, greatly expand the construction general contracting featured by the EPC business and innovation businesses including investment and financing, scientific and technological industrialization and operation management, in order to make unremitting efforts to build an integrated service provider of urban construction led by design.

Wang Hanjun
General Manager

Beijing, 29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2017, directed by customer and the fighting will, the Group adhered to the layout in the entire urban rail transit industry chain, and proactively promoted business development by concentrating its efforts and strived for accomplishments, achieving the design-led, capital-driven and business-oriented expansion, innovation and upgrading. Directed by customer and the fighting will, the Group guaranteed its sustainable, healthy and rapid development by successfully completing its major tasks throughout the year.

As of 31 December 2017, the Group's revenue amounted to RMB6,973 million, representing an increase of RMB1,883 million or 36.99% compared to RMB5,090 million for the corresponding period of last year. The Group's net profit amounted to RMB512 million, representing an increase of RMB33 million or 6.89% compared to the net profit of RMB479 million for the corresponding period of last year.

Total revenue
RMB **6,973** million

Profit for the year
RMB **512** million

Construction contracting business
RMB **3,996** million

Design, survey and consultancy business
RMB **2,977** million

Profit for the year

Increased by **6.89%**

Other income and gains

RMB **271.06** million

Number of employees in the Group

4,806

Gross Profit

Increased by **21.76%**

FINANCIAL REVIEW

Summary of Operating Results

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	6,972,545	5,090,073
Cost of sales	(5,629,327)	(3,987,039)
Gross profit	1,343,218	1,103,034
Other income and gains	271,064	171,694
Selling and distribution expenses	(96,636)	(73,633)
Administrative expenses	(610,998)	(529,830)
Other expenses	(158,732)	(47,061)
Finance costs	(141,244)	(59,033)
Share of losses of joint ventures	(1,659)	(976)
Share of profit of associates	3,742	2,771
Profit before tax	608,755	566,966
Income tax expense	(96,746)	(88,284)
Profit for the year	512,009	478,682

REVENUE

The Group generates its revenue from the design, survey and consultancy segment as well as the construction contracting segment where the Group provides services for infrastructure construction (in particular, urban rail transit). For the year ended 31 December 2017, the Group achieved a revenue of RMB6,973 million, representing an increase of RMB1,883 million or 36.99% compared to RMB5,090 million for the corresponding period of last year. Such increase was mainly attributable to the Company's adherence to the layout in the entire urban rail transit industry chain by seizing opportunities arising from the accelerated development of the urban rail transit in the PRC. The Group strived for the expansion of the scope of design, survey and consultancy business and proactively developed the PPP and EPC business, thereby steadily increased the revenue of the Company.

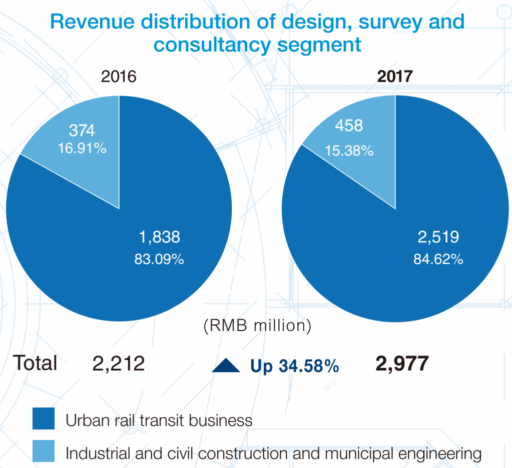
An analysis of revenue by segment is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Design, survey and consultancy	2,976,736	2,212,180
Construction contracting	3,995,809	2,877,893
Total	6,972,545	5,090,073

DESIGN, SURVEY AND CONSULTANCY SEGMENT

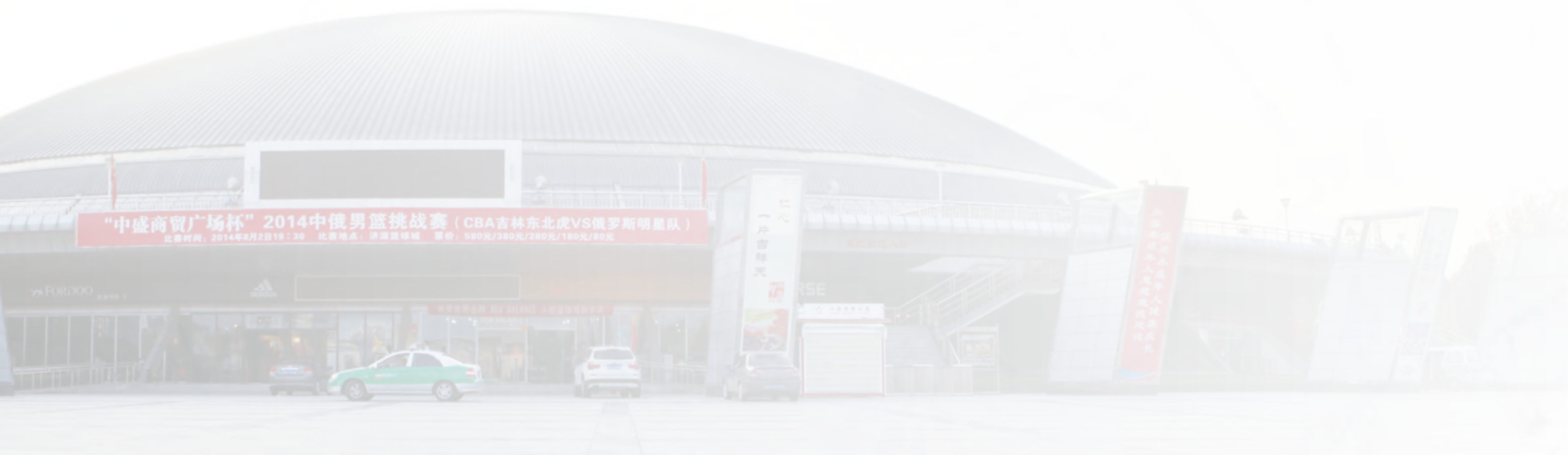
The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit as well as industrial and civil construction and municipal administration. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2017, the Group seized the opportunities arising from the major engineering constructions projects relating to urban rail transit infrastructure in China, fully leveraged on its technical strengths in the industry and adhered to the advantageous business in rail transit to increase its core competitiveness while actively expanded the market by synergy of the whole industry chain and promoted the brand influence of urban construction design; newly won bids of 28 general projects of design of rail transit in cities including Beijing, Changchun, Chengdu, Hangzhou, Jinan, etc. throughout the Year with a gross contract amount of RMB4,870 million.

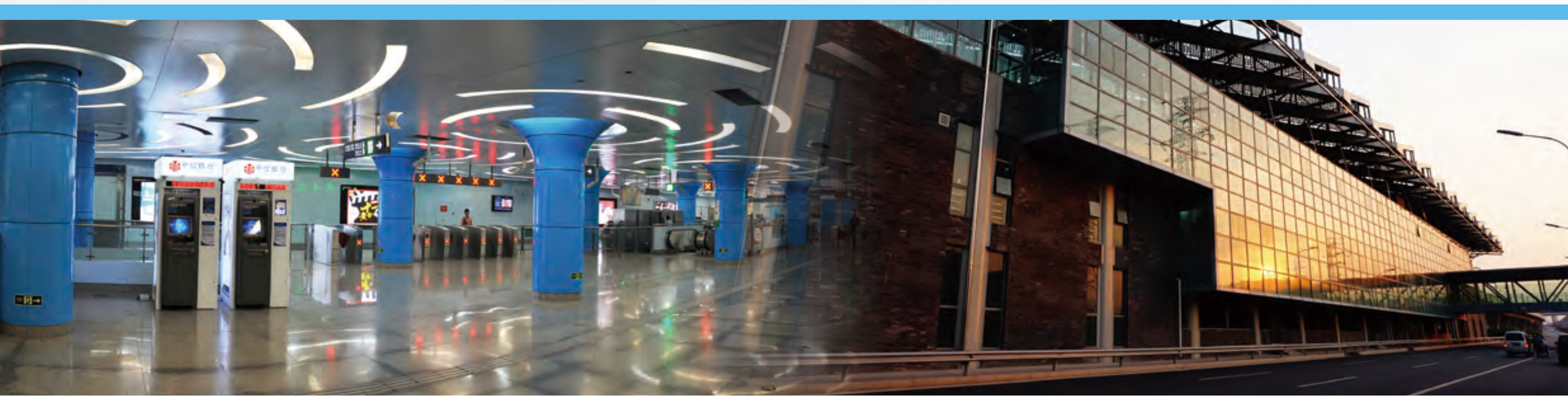
For the year ended 31 December 2017, the design, survey and consultancy segment of the Group achieved a revenue of RMB2,977 million, representing an increase of RMB765 million or 34.58% compared to RMB2,212 million for the corresponding period in 2016. Among which, the revenue of the urban rail transit business amounted to RMB2,519 million, representing an increase of RMB681 million or 37.05% compared to RMB1,838 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal administration business amounted to RMB458 million, representing an increase of RMB84 million or 22.46% compared to RMB374 million for the corresponding period of last year.



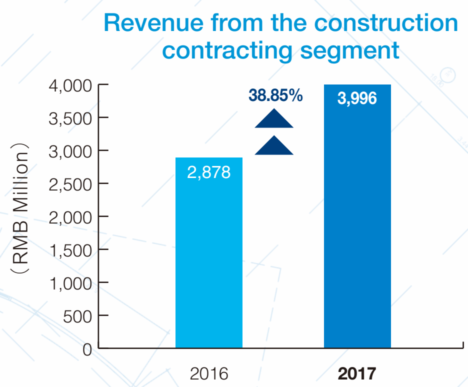
CONSTRUCTION CONTRACTING SEGMENT

The construction contracting segment of the Group focuses on the services for urban rail transit construction projects and relevant infrastructure construction projects. The construction contracting projects undertaken by the Group covered major cities in China, including Beijing, Kunming, Zunyi, Guangzhou and Urumqi.





For the year ended 31 December 2017, the Group's revenue from the construction contracting segment was RMB3,996 million, representing an increase of RMB1,118 million or 38.85% compared to RMB2,878 million for the corresponding period of last year. Such increase was mainly attributable to the year-on-year increase in the Group's project volume, such as the PPP Project of the Middle Section of Dianzhong New Area Air-port Avenue in Kunming, the PPP Project of Feng-Xin Express Line in Zun Yi, the Yuyuantan project, the Security Center project, the Rail Transit Section 7–3 project, etc., and the commencement of the Delingha EPC Project, the Beijing Subway Yanshan-Fangshan Line Section 06 project, the Section 01 of the Civil Construction Section of the New Airport Line project, etc. in 2017, which promoted the relatively fast growth in revenue as compared with that at the corresponding period of last year.



ORDER ANALYSIS

By actively seizing the favourable opportunities arising from the development of urban rail transit in the PRC, and fully leveraging its technical strengths in the industry, the Company actively expanded market with focus on the synergy of the entire rail transit industry chain. As of 31 December 2017, the newly-signed contract amount was RMB24,954.20 million, representing an increase of RMB13,783.89 million or 123.40% compared to the RMB11,170.31 million for the corresponding period of last year. Among which, the newly-signed contract amount of the design, survey and consultancy business was RMB9,542.47 million, representing an increase of RMB5,605.72 million or 142.39% compared to RMB3,936.75 million for the corresponding period of last year; and the newly-signed contract amount of the construction contracting business was RMB15,411.73 million, representing an increase of RMB8,178.17 million or 113.06% compared to RMB7,233.56 million for the corresponding period of last year. The project amount at hand during the Reporting Period was RMB37,243.90 million.

The newly-signed contract amount

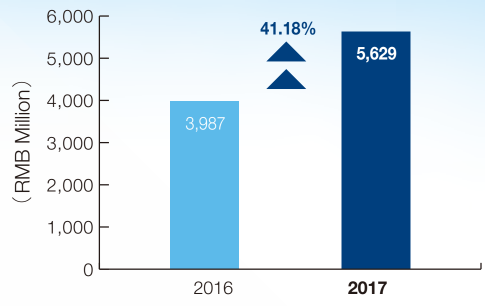
COST OF SALES

For the year ended 31 December 2017, the cost of sales incurred by the Group was RMB5,629 million, representing an increase of RMB1,642 million or 41.18%, against an increase of 36.99% in revenue, compared to RMB3,987 million for the corresponding period of last year. This was mainly attributable to the corresponding increase in costs as a result of an increase in revenue scale. As the proportion of construction contracting projects with relatively low gross profits increased during the current year, the increase in costs was slightly higher than the increase in revenue.

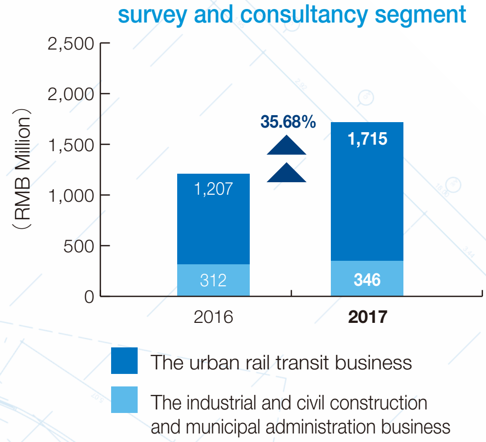
For the year ended 31 December 2017, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,061 million for the year from RMB1,519 million for the corresponding period of last year, representing an increase of 35.68%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB1,715 million for the year from RMB1,207 million for the corresponding period of last year, representing an increase of 42.09%. The cost of sales of the industrial and civil construction and municipal administration business of the design, survey and consultancy segment increased to RMB346 million for the year from RMB312 million for the corresponding period of last year, representing an increase of 10.90%.

For the year ended 31 December 2017, the cost of sales of the Group's construction contracting segment increased to RMB3,568 million for the year from RMB2,468 million for the corresponding period of last year, representing an increase of 44.57%.

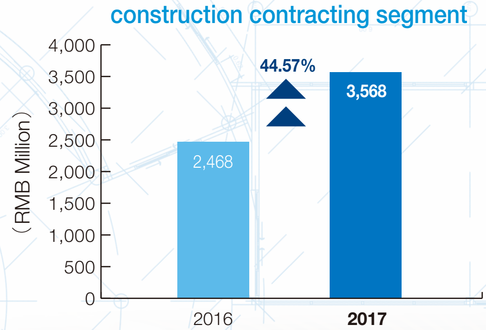
Cost of sales



Cost of sales of the Group's design, survey and consultancy segment

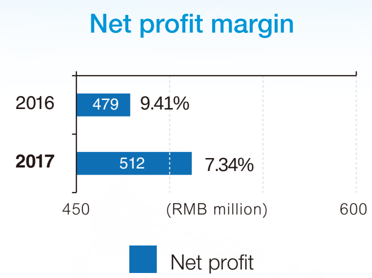


Cost of sales of the Group's construction contracting segment

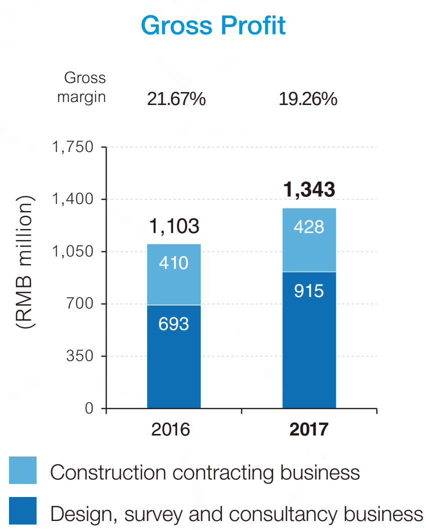


GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2017, the gross profit of the Group was RMB1,343 million, representing an increase of RMB240 million or 21.76% compared to RMB1,103 million for the corresponding period of last year, while the consolidated gross margin decreased from 21.7% to 19.26%, which was mainly attributable to the increased proportion of construction contracting business with lower gross profit.



The gross profit of design, survey and consultancy segment increased to RMB915 million for the current year from RMB693 million for the corresponding period of last year, representing an increase of RMB222 million or 32.0%. The gross margin was 30.7%, which was basically the same as the corresponding period of last year. The gross profit of the construction contracting segment increased from RMB410 million for the corresponding period of last year to RMB428 million for the current year, representing an increase of RMB18 million or 4.4%. The gross margin decreased from 14.3% for the corresponding period of last year to 10.7% for the current year, which was mainly attributable to the increase of the proportion of the revenue generating from traditional engineering project with lower gross margin as compared to corresponding period of last year, which results in the decrease of the gross margin of construction contracting segment for the current year.



OTHER INCOME AND GAINS

For the year ended 31 December 2017, other income and gains of the Group were RMB271.06 million, representing an increase of RMB99.37 million or 57.88% compared to RMB171.69 million for the corresponding period of last year, which was mainly attributable to the increase in the interest income and gains.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2017, selling and distribution expenses of the Group were RMB96.64 million, representing an increase of RMB23.01 million or 31.25% compared to RMB73.63 million for the corresponding period of last year. The increase in selling and distribution expenses was mainly attributable to the Company's seizing opportunities arising from the accelerated expansion of the urban rail transit market, resulting in an increase in bidding costs and relevant costs arising from bidding.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2017, administrative expenses of the Group were RMB611.00 million, representing an increase of RMB81.17 million or 15.32% compared to RMB529.83 million for the corresponding period of last year. Such increase was mainly attributable to the increase in the number of management staff and the administrative and management costs as a result of the expansion of the business scale, and the increase in R&D expenditures, etc.

OTHER EXPENSES

For the year ended 31 December 2017, other expenses of the Group were RMB158.73 million, representing an increase of RMB111.67 million or 237.29% compared to RMB47.06 million for the corresponding period of last year. The increase in other expenses was mainly attributable to the increase in provision for the bad debts of trade and other receivables for the current year.

FINANCE COSTS

For the year ended 31 December 2017, finance costs of the Group were RMB141.24 million, representing an increase of RMB82.21 million or 139.27% compared to RMB59.03 million for the corresponding period of last year, which was mainly attributable to the increase in interest expenses due to the new long-term borrowings of Anhui Jingjian, Guizhou Jingjian and Yunnan Jingjian, the Group's subsidiaries, for the year. Anhui Jingjian took out new bank loans of RMB230 million for the year, Guizhou Jingjian had new bank loans of RMB360 million for the year, and Yunnan Jingjian took out new bank loans of RMB720 million and new government bond borrowings of RMB200 million, respectively, for the year.

INCOME TAX EXPENSES

For the year ended 31 December 2017, the income tax expense of the Group was RMB96.75 million, representing an increase of RMB8.47 million or 9.59% as compared to RMB88.28 million for the corresponding period of last year. Such increase was mainly attributable to the increase of the profit before taxation.

PROFIT FOR THE YEAR

For the year ended 31 December 2017, the profit of the Group for the year was RMB512 million, representing an increase of RMB33 million or 6.89% compared to RMB479 million for the corresponding period of last year.

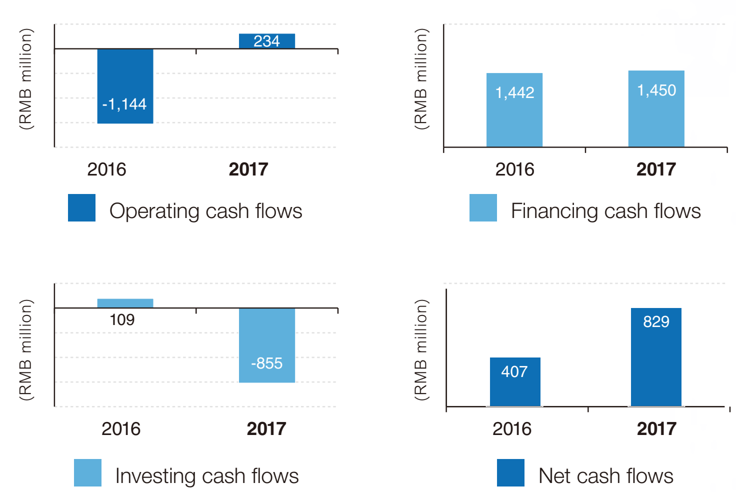
CASH FLOWS

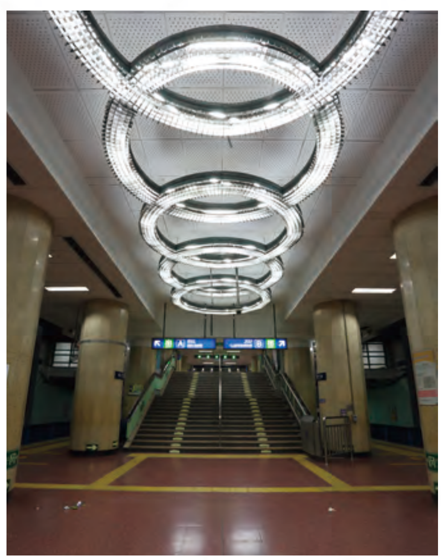
The table below sets forth the cash flows of the Group for the indicated periods:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net cash inflows/(outflows) from operating activities	233,790	(1,143,859)
Net cash (outflows)/inflows from investing activities	(855,070)	108,799
Net cash inflows from financing activities	1,449,938	1,442,443
Net increase in cash and cash equivalents	828,658	407,383

The net cash inflows from operating activities in 2017 was RMB234 million, which were mainly attributable to more operating receipts than operating payments as a result of intensified collection of receivables by the Group. The net cash outflows from investing activities was RMB855 million, which was mainly attributable to the cash outflows of approximately RMB325 million as a result of purchase of fixed assets and land lease payments. The expenditure of the Group due to provision of borrowings to a joint venture and an associate, was RMB483 million. The net cash inflows from financing activities was RMB1,450 million, which was mainly due to the receipt of RMB261 million from the employee stock ownership plan for the year, and obtaining capital investment of RMB28 million from the non-controlling shareholder for Beijing Jingjian, a new controlled subsidiary, for the year. The long-term bank borrowings obtained by Anhui Jingjian, Guizhou Jingjian and Yunnan Jingjian for PPP projects for the year was RMB1,509 million, the expenditure due to repayment of borrowings for the year was approximately RMB80 million, and the relevant interest expense was approximately RMB136 million. The dividend paid by the Group to shareholders for the year was approximately RMB127 million.

Cash Flows





PLEDGE OF ASSETS

For the year ended 31 December 2017, the receivables of the Group were pledged to secure the certain bank loans granted to the Group. As at 31 December 2017, the net pledged receivables was RMB4,371 million (31 December 2016: RMB2,209 million).

As of 31 December 2017, the Group's letters of guarantees for project performance undertaken by associates and the outstanding balance of such guarantee letters was RMB17 million (31 December 2016: RMB13 million). In addition, the Group did not have other material contingent liabilities.

The capital commitment of the Group as at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	219,786	–
Equity investments	2,901,040	–
	3,120,826	–

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The equity capital of the Group mainly comprises Domestic Shares and H Shares. Indebtedness capital mainly consists of bank and other borrowings. In addition, ordinary business operation also provides the Group with source of funding. As of 31 December 2017, the net current asset of the Group was RMB2,637 million, among which cash and cash equivalents accounted for RMB3,382 million. The liquidity of the Group was sound and healthy and it had adequate cash and available banking facilities to satisfy its operating needs.

For the year ended 31 December 2017, the Group's interest-bearing borrowings were RMB3,307 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 31 December 2017 divided by the total equity as at 31 December 2017) was 79.1%.

INDEBTEDNESS

The table below shows the total borrowings of the Group as at 31 December 2017 and 31 December 2016. The Group settles the borrowings on time.

	31 December 2017 RMB'000	31 December 2016 RMB'000
Bank borrowings		
Pledged	**2,599,032**	1,370,000
Other borrowings		
Non-pledged	**708,400**	508,400
	3,307,432	1,878,400

The Group has six batches of borrowings which are all denominated in RMB. The first batch is subject to a floating interest rate which is based on the benchmark interest rate to be charged for the same type of loans denominated in RMB for the same term as announced by the People's Bank of China. As at 31 December 2017, the interest rate for the borrowings was 4.90%; the second batch is subject to the basic lending rate of the Agriculture Bank of China and is determined based on the base lending rate contracted for each period plus 11bp, and varies from period to period. As at 31 December 2017, the interest rate for the borrowings was 4.41%; the third batch is subject to the floating rate on the date of drawdown of the first batch, being the benchmark interest rate to be charged for the same type of loans denominated in RMB for the same term as announced by the People's Bank of China minus 5%. As at 31 December 2017, the interest rate for the borrowings was 4.66%; the other three batches are at a fixed interest rate of 3.98%, 4.01% and 4.90%, respectively.

The table below shows the maturity of the Group's debts as at 31 December 2017 and 31 December 2016:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	230,000	80,000
Between one to two years	504,400	160,000
Between two to three years	358,000	274,400
Between three to four years	343,066	128,000
Between four to five years	318,000	248,000
Over five years	1,553,966	988,000
Total	3,307,432	1,878,400

EXCHANGE RATE RISK

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

USE OF PROCEEDS

As of 31 December 2017, the Company utilized an aggregate of RMB721.85 million of the proceeds, among which RMB380.34 million was used to supplement the invested funds for design, survey and consultancy projects and construction contracting projects in relation to urban rail transit business, RMB182.79 million was used to enhance, through self-development, cooperation or acquisition, the design and technology research capabilities in relation to the urban rail transit business and facilitate commercialisation of the technologies, RMB66.06 million was used to improve the construction capabilities in relation to urban rail transit business, RMB22.09 million was used to build the information systems, RMB70.57 million was used to supplement the working capital. The remaining balance is placed at the banks as deposits.

EMPLOYEES

As at 31 December 2017, the Group had approximately 4,806 employees, representing an increase of 605 employees or 14.4% as compared with that of 4,201 employees for the corresponding period of 2016.

The Group had 4,806 employees, among which, employees in the headquarters accounted for approximately 54%, and those in the subsidiaries accounted for approximately 46%. The number of employees increased by 14.4% in 2017 as compared with 2016. Over 47% of the employees have worked in the Company for more than five years. The Company has one member of Chinese Academy of Engineering, one engineering survey expert, one Beijing Scholar, and seven professors who receive subsidy from the government. The medium or senior level professional technicians and the employees who hold a bachelor's degree or a higher degree accounted for 60% and 86% respectively, of the total number of employees of the Company. In 2017, in order to select and recruit high quality talents, the Company held particular recruitment activities in prestigious universities, such as Tsinghua University and Tongji University, to recruit outstanding graduates. Meanwhile, the Company also commits to fully exploring the internal staffing potential through adopting the recruitment mechanism of "select personnel inside first, then outside" to address our demand for talents.

In each year, the Company selects and rewards the employees who make remarkable contribution to the annual results and secure outstanding performance. In 2017, fruitful results have been achieved in various works of the Company during 2017, with good news keeping pouring in and a series of inspiring major breakthroughs achieved, owing to our hard-working, diligent, dedicated and selfless staff. In recognition of their outstanding performance and with the purpose of setting a good example for others, in compliance with the corporate values of "customer first, fighting will as the foundation, integrity and pragmatism, pursuit of excellence" and to carry forward the corporate spirits of "ingenuity, responsibility, innovation, fighting will", as well as further motivate our staff to accomplish the tasks for 2018 in a positive and creative manner, the Company selected ten employees with outstanding performance and awarded them the 2017 President Incentive Fund (院長獎勵基金), and selected the employees acting as role models and awarded them the 2017 Excellent Employees.

The Company attaches great emphasis to the staff development and cultivation. Staff training is conducted through our corporate university with the aims to establish a training system which adapts to the corporate development strategy and to build a learning organization. Staff is offered with both internal and external training on topics covering the cut-edge technologies in industry, latest technologies, technological innovation, project management, function management, BIM application, business exchange, basic technique, etc. Apart from attending the training in person, staff can participate in training by means of remote online training, downloading video and mobile learning, so as to enable the employees in other cities or on trips to participate in training. In 2017, the Company established an UCD mobile learning platform to provide various applications such as online learning, live courses, knowledge Q&As, etc. and conducted training in management, technology, humanities and other aspects and resources sharing, so as to meet the staff's needs of flexibility for place and time of learning. In 2017, the Company conducted over 1,000 trainings, among which, over 100 were on function management and nearly 1,000 were on professional technique, fully covering staff across the Company, with constant focus on the construction of training courses at different levels to steadily promote new employee training, training courses in management for young cadres, training of middle and senior management cadres, and training of professional technical personnel. In 2017, the Company participated in the selection of and won for the first time the "Annual Outstanding Enterprise University Award in China" selected by "China Talent Development Forum 2017".

RETIREMENT POLICY

The Group has the following supplementary retirement benefits: (1) the retirement pension subsidies, medical benefits and other supplementary benefits to retirees who retired before 31 December 2012; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2012; and (3) the heating allowances to its employees upon their retirement. These supplementary retirement benefits are considered to be defined benefit plans as the Group is obligated to provide retirement benefits to those retirees and employees mentioned above.

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2017 and 2016 were computed by an independent qualified actuarial firm, Towers Waston Consulting Company Limited (韜睿惠悅諮詢公司) using the projected unit credit actuarial valuation method.

EVENTS AFTER THE BALANCE SHEET DATE

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

THE COMPANY'S MANAGEMENT MEASURES IN 2018

In 2018, with the slowdown in the pace of infrastructure construction in the PRC, and the tough overall market situation due to tightened national macro policy on PPP projects, the Company will focus on the supply-side structural reform, adhere to strengthening its design and consultancy business and construction contracting business, and proactively expand new businesses with design business as the lead, industry synergy and headquarter company as the guarantee, so as to achieve new breakthroughs on the new journey to become an integrated service provider of urban construction led by design".

In 2018, details of the Company's management measures are divided into five major aspects as follows:

1. To strengthen the design business and strive to be a leader in design and consultancy industry

The Company will pay close attention to national strategies such as the Belt and Road Initiative, Beijing-Tianjin-Hebei integration, Xiong'an New Area, etc. with focus on the core of the entire rail transit industry chain, fully leverage its advantages on the nation-wide marketing network, entire industry layout and whole process design, strengthen synergetic marketing to take the initiative in adapting the urbanization of the PRC, promote the existing fields such as survey, civil construction and municipal administration, etc., and expand new fields such as product design, decoration design, industrial design, etc., so as to achieve re-expansion of the market scale.

2. To enhance the construction contracting business and expand the general contracting of featured projects

The Company will intensify progress, quality and safety management by adhering to scientific overall planning and reasonable scheduling to ensure high-quality performance of the projects at hands; comprehensively enhance the integration of the construction segment and the segments with advantages on design and capital, summarize successful experience of the Company in EPC projects to come up with an efficient management and control model of EPC projects, and expand the scale of rail transit and municipal construction projects by leveraging its core strengths on design and infrastructure investment and financing platform.

3. To insist on capital-driven model and promote steady development of new businesses

The Company will run through the whole life cycle of PPP projects through the establishment of four major platforms, namely, investment, financing, information and asset management. The Company will explore and research the securitization of PPP assets and promote PPP debt replacement to increase returns on equity investment; promote new models for the property development business, cultivate the operation and maintenance capability, and accelerate the introduction of project achievements such as technology industrialization combined with PPP and EPC resources.

4. To strengthen scientific research and innovation and industry leadership, and new development potential of the Company

The Company will integrate technology R&D resources and form a "four-in-one" innovation system integrating scientific research management, technology R&D, innovation platform and expert management. Led by the National Engineering Laboratory, the Company will drive the development of track structure center and energy conservation center and proactively carry out application for national key projects; develop core technologies and cultivate innovative product R&D strengths of the Company, fully promote the market-oriented BIM design with focus on organization, system, standard and training and meanwhile, accelerate the promotion of BIM smart operation and maintenance system by adhering to policy incentives and hardware and software platform support, striving to achieve new breakthroughs.

5. To strengthen the capability building of the headquarter to serve the overall development of the Company

The Company will, comprehensively push forward the building of the Group's headquarter with focus on management, service and synergy, so as to support the overall development of the Company. With emphasis on performance-orientation and advancement of virtual legal person operation implemented by non-public legal person units to embody the unification of responsibility and right, the Company will stimulate the market vitality of business organizations at all levels. The Company will vigorously promote the refined accounting management of projects, including per capita efficiency management, improvement of the internal economic order, promotion of the informatization of operation and management of the construction segment, etc.; further open up the data and information of various departments of the Company to improve the level of information management; develop electronic signature system and its quality data collection and statistical functions based on the synergetic design platform to optimize the management process and improve the management efficiency of the Company; guarantee industry synergy through systematization and adopt synergetic marketing incentive measures to strengthen synergy and collaboration across fields, regions and entities, so as to realize coordinated incremental development of each segment. The Company will also further integrate information of various departments of the Company to constantly improve information management; take customer strengthening and the striving mechanism as the objectives to enhance the sense of achievement and happiness of the strivers and establish a long-term mechanism for cultural management to promote core values to take roots; and achieve the synergetic increase in employees' remuneration and shareholders' returns to satisfy employees, shareholders and society!

URBAN RAIL TRANSIT

Multi-transit modes in coordinated development

According to the China Association of Metros (中國城市軌道交通協會), as of 31 December 2017, there was an aggregate operating rail transit distance of 5,021.7 km in 34 cities in mainland China. In 2017, there were 4 new operating cities, namely Shijiazhuang, Zhuhai, Guiyang and Xiamen and there were 33 newly operating lines with the distance of 868.9 km. The distance of newly operating lines in 2017 has hit the new record and increased by 334.1 km or 62.5% as compare to the newly added lines of 534.8 km in 2016.

According to the *2017 China Rail Transit Industry Report*, the rail transit plays an extremely important role in three national strategies implemented by the country including the Belt and Road Initiative, coordinated development of Beijing, Tianjin and Hebei and Yangtze River Economic Belt. By introducing, digesting, absorbing and independent innovation, China's rail transit technology has galloped ahead in the world in many crucial indexes. Meanwhile, there are many hotspots appearing in the industry such as Zhuzhou Autonomous Rail Rapid Transit, BYD "Cloud Rail", streetcar, medium-low speed maglev, single rail, urban (suburb) rapid rail and intercity railway.

According to the statistics of the World Rail Transit Network, around 123 rail lines won biddings in the general contract projects of the domestic urban rail transit design in 2017, of which 94 were metros, 13 were straddle-type monorails and 16 were modern streetcars. The Company with 28 lines topped the market, continuing the leading position in the domestic rail transit industry in terms of the share of the general contracting for design.

Rail transit in coordination with innovation construction

The "national engineering laboratories for green and safe construction technologies of urban rail transit" built by the Company has formed a four-in-one innovation system covering technology research and development, research coordination, expert management and platform and has completed the construction of coordinated innovation and application demonstration platform. The laboratories have undertaken 15 scientific research projects of the Ministry of Science and Technology, the Chinese Academy of Engineering and the Beijing Municipal Science & Technology Commission and etc..

PPP

Since the second half year of 2017, the construction and investment amount of PPP projects have slowed down significantly. The blind investment peak for PPP projects has gone away, and the investment in this industry has entered a stage of norming industry and stable development. The government work reports have clearly pointed out the "deepening the cooperation between the government and social capitals (PPP model)" for three consecutive years. The promotion of PPP model has experienced from active promotion and improvement to deepening, showing the country's great emphasis on promoting the model in 2017. As of 31 December 2017, there were 14,424 PPP projects recorded in the management base and reserve list of the comprehensive information platform of the cooperation between the national governments and social capitals (PPP), with the total investment amount of RMB18.2 trillion. Currently, infrastructure fields including municipal engineering and rail transit remain the dominant promotion targets of the PPP model in China, and are the key focuses of investment of PPP projects of the Company in some time in the future. In 2017, the Company kept stable steps in the investment and financing of the PPP projects, and completed the financing of 2 PPP projects and won biddings of 2 PPP projects. The Company firstly entered the infrastructure construction market in Jiangsu Province, which will provide new space for further extending the business scope to Jiangsu province and its neighboring regions.

On 6 April 2017, in order to better realize the main idea of integrated development, the Beijing Urban Construction PPP Research Center (北京城建PPP研究中心) was built. The center aims at promoting the professional exchange and cooperation among government, enterprise and financial institutions to integrate and share the sources of project information by enhancing the research in PPP policies, and intensifying the learning exchange of PPP by organizing forums in a regular way. The center has formed a PPP intelligent platform participated in by government, professional consultant institutions, financial institutions and enterprises from four dimensions to push the development and construction of the PPP projects in infrastructure field.

INTEGRATED DEVELOPMENT OF RAIL TRANSIT PROPERTY (TOD)

There will be 58 cities to construct metros in China in the future, with a designated distance of 7,305.3 km, according to the statistics of the *2016 China Urban Rail TOD Development Index Report* released by China Sustainable Transportation Center together with Massachusetts Institute of Technology and Beijing Shucheng Future Technology Co., Ltd. (北京數城未來科技有限公司) at the end of 2017. The supported TOD rail transit property will also see a sizable integrated development market. Currently, the Company's property development business focuses on the R & D of two products including integrated development of transportation hub and top-head development at rail yards. The Company also keeps the follow-up of the development projects of rail transit property in many districts and cities with good economic performance including Shunyi (Beijing), Zhengzhou (Henan province), Kunming (Yunnan) and Hangzhou (Zhejiang province).

So far, the Company has completed the construction of the integrated development project of traffic hub in Pingguoyuan, creating the Company's first comprehensive development model of transportation hub integrated with design, investment and development.

DEVELOPMENT OF INTEGRATED URBAN SPACE

The National New Urbanization Plan (國家新型城鎮化規劃) has expressly recommended the priority development of public transportation, unified coordination and planning of city space functional layout and the promotion of appropriate mix of city land functions. Construction of rail transit-oriented intensive urban space is an important method to solve problems arising from the current rapid urbanization and also the main direction of development of cities, particularly large or medium size cities. Meanwhile, multi-functional communities, green transit, intensive land utilization mode and the diversity of spatial forms are integral components of green biological urban area and smart city. In recent years, the development of rail transit-oriented integrated urban space has continued to expand, in particular, the development of car depot cover and underground space has grown significantly. These development projects are featured by diversified functions, large construction scale and many aspects involving management, and the Company has expertise on the design and management of these projects.

INTEGRATED TRANSPORTATION HUB

National Urban System Plan (2006–2020) (全國城鎮體系規劃(2006–2020年)) points out to establish national integrated transportation hub system to facilitate the efficient linkage among various transportation methods and enhance the outreaching benefits of city centres to the surrounding areas. In the *Summary of the 13th Five-Year Plan for the National Economy and Social Development* (國民經濟和社會發展第十三個五年規劃綱要), it is stated that the government will construct a high-efficient integrated transportation system that connects domestic and international transportations and widely reaches various districts between urban and rural areas with comprehensive functions as a hub as well as integrating transportation and services in accordance with the principle of networking layout, intelligent management, integrated service and green development. By 2020, China will create 100 modern and three-dimensional integrated passenger terminals in important integrated transportation hub cities nationwide. The design of the integrated transportation hub as a special unit is expanding and staying in the advanced design level in China. Based on hub design, the integrated transportation hub wins integrated development projects through transportation hub to seize TOD design market.

UTILITY TUNNEL

In 2017, the Company built underground space and utility tunnel center through active adjustment of industry layout according to the national policies. The amount of biddings only won by the underground space and utility tunnel center exceeded RMB100 million in 2017, including a PPP engineering construction project in Linxi Road, Pukou District, Nanjing. The utility tunnel business distributes in many cities and provinces including Beijing, Hebei, Ningxia, Zhengzhou, Shandong, Heilongjiang, Jiangsu and Guizhou. The business achieved good performance, with its type developing from single design consulting to EPC and investment and financing.

In 2018, the utility tunnel market will feature vast space and fierce competition. Combined with the construction plans in provinces, the distance of utility tunnel will reach around 12,000 km in China in the following five years. If the investment is calculated at RMB80 million per km, urban utility tunnel will worth trillions in the next five years, which will bring revenues of around RMB20 billion and around RMB670 billion respectively for design industry and engineering construction industry. The Company with many advantages including expert team, technical strength, qualification and standard establishment takes priority in the market.

SPONGE CITY

In 2017, *the 13th Five-Year Plan of the National Municipal Infrastructure Construction in China* is released. Based on the policy and industry environment, the Company with the resource advantage of the Design & Development Group has made significant progress in the planning design of the sponge city. The Company undertook the water treatment project in Xia'aoqiao district in the center of Beijing, completed the special planning of sponge cities in An'qing and the feasibility studies of the reconstruction projects of sponge cities in Gui'an Road, Baima Road and Jinma Road of Gui'an New District, completed the design tasks of comprehensive utilization projects of rainwater (residential area and green park) (three sections) of sponge city in Qian'an during 2015–2017, and completed the design tasks of waste intercepting projects of black and odorous water in Wenyuhe basin, Xiaochanggou basin, Bahe basin and Beixiaohe basin in Beijing. In addition, the Company won biddings of the design tasks of water environment treatment in 8 sections including Fengtai, Chaoyang and Haidian districts, undertook the technical support of sponge city in Qibin district, Hebi city and won bidding of the design task of water treatment project in Jintai Bridge, Beijing.

As a whole, in the sector of sponge city, the Company has had rich performance in various fields such as special planning and special design of sponge city, the treatment of water points, the treatment and waste interception of black and odorous water. The Company has succeeded in entering the advisory guidance business of sponge city.

EPC

In June 2016, the Ministry of Housing and Urban-Rural Development released the *Several Opinions on Further Pushing the Development of EPC* (Jian Shi [2016] No.93), which pointed out the priority of the application of EPC model and the enhancement of the construction of EPC talent team. On 4 May 2017, the Ministry of Housing and Urban-Rural Development issued the *13th Five-Year Plan of the Development of Construction Industry*, which clearly took the adjustment and optimization of industrial structure as its major task during the "13th Five-Year Plan". Taking engineering projects, the application of advanced technologies, and division of labor respectively as the core, means and link, general engineering subcontracting relations will be established in a reasonable way. The government requires to set up an organizing and executing with powerful management of general contract, advanced professional subcontracts and flat organizing form to form a new organization structure of construction industry with comprehensive professions, reasonable distribution and fitting together of parts. Under the industry background, the Company undertook a big number of EPC projects in many cities including Beijing, Anqing, Delingha, Sanya, Kunming, Huangshan, Ningbo and Chengdu, with the types of projects covering rail transit, municipal engineering and civil construction. Besides, the Company won biddings of a series of projects (EPC) for the construction of new-type urbanization in Gao'an, Jiangxi province. This EPC project created the highest record in the single contract amount of EPC projects in the civil construction business and started a new model for the project management and market expansion in the civil construction business of the Company.

TECHNOLOGY INDUSTRIALISATION

In May 2016, the National Development and Reform Commission and the Ministry of Transport jointly released the *Three-year Action Plan for Construction of Major Transport Infrastructure Projects*. According to the plan, the government plans to give key push to 103 projects in urban rail transit field during 2016–2018, with an investment of RMB1.67 trillion, an increase of 90% from RMB874.7 billion during 2013–2015.

Centered with urban rail transit and relevant markets, the Company continuously develops and promotes innovative technology products with independent intellectual property to extend the industrial chain of the urban rail transit business of the Company and create new growth point of enterprise value. The Company establishes the incubator mode for scientific and technological achievements with industry-university-research combination to speed up the marketization of scientific and technological achievements and to continue to promote the application of new technologies including automation, and intellectualization in urban rail transit and industrial automation. In 2017, the Company has formed four product systems including rail products, industrial intelligent control, the charging system of trolleybus, and the cloud-based integrated automation systems of metros. The Company's products have not only been used in streetcar projects, but also have entered metro market. In 2018, the Company will give priority to the development of the weak electricity integration of urban rail transit (including signal, communication, comprehensive monitoring, AFC, etc.) to strongly develop the comprehensive automation system of weak electricity of rail transit based on cloud platform and big data technology and create main products with advanced level in the industry. Meanwhile, the Company will make use of technologies including cloud computing, big data and BIM to provide industry-leading solutions in many aspects including operation dispatching, equipment maintenance and early fault alert. Besides, the Company will develop the intelligent control business in municipal infrastructure field, and will put great efforts to promote rail products with independent intellectual property – patented products of slab track-bed and track fastener to expand track paving equipment market.

DIRECTORS

Executive Directors

Mr. Wang Hanjun (王漢軍), aged 53, is an executive Director, general manager and deputy party secretary of the Company. He has been the president, deputy party secretary and Director of the Company (the predecessor of which is Beijing Urban Construction Design & Research Institute) since May 2011 and was appointed as an executive Director and general manager of the Company on 28 October 2013. Mr. Wang worked for the First Branch Company under Beijing Urban Construction No. 3 Corporation (北京城建三公司一分公司), which is primarily engaged in engineering construction, from July 1988 to March 1994. He was the manager of Second Project Department of Beijing Urban Construction Yatai Co. (北京城建亞泰公司) from March 1994 to December 1994, and was the deputy manager of Beijing Urban Construction Yatai Construction and Engineering Co., Limited (北京城建亞泰建設工程有限公司), which is primarily engaged in engineering construction, from December 1994 to November 2003. Between November 2003 and August 2004, he served as a director, deputy chairman, manager and deputy party secretary of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司). He was a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) from August 2004 to October 2004, and concurrently acted as director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited. and director and chairman of Beijing Donghu Real Estate Co. (北京市東湖房地產公司), which is primarily engaged in real estate development from October 2004 to May 2006. He continued to act as a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited from May 2006 to October 2007. From October 2007 to December 2007, he held the position of manager of Beijing Urban Construction Xincheng Investment & Development Co., Limited (北京城建新城投資開發有限公司), a subsidiary wholly-owned by BUCG primarily engaged in real estate investment. Then he worked as its manager and director from December 2007 to July 2012. Mr. Wang graduated from Tsinghua University with a bachelor's degree of engineering in water resources and hydropower engineering and construction in July 1988. Mr. Wang was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2015 and obtained the qualification of Grade One Constructor from the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) in February 2005.

Mr. Li Guoqing (李國慶), aged 51, is an executive Director, deputy general manager and party secretary of the Company. Mr. Li has been working for the Company since July 1990. He held the position of the secretary of Youth League Committee (團委書記) of the Company from April 1993 to August 1998 and was the vice president of Metro and General Municipal Institute (地鐵市政院) of the Company from August 1998 to September 1999. He worked as the vice president of the Company from September 1999 to March 2001, and was the party secretary and vice president of the Company from March 2001 to November 2002. He has been the party secretary, vice president and Director of the Company since November 2002, during which he also held the position of general manager in China Metro Engineering Consulting Co., Ltd., which is primarily engaged in engineering consultancy between September 2006 and May 2012. Mr. Li obtained a bachelor's degree in engineering majoring in heating, ventilation and air conditioning from Tsinghua University in July 1990. He obtained a master's degree and a doctor's degree of engineering both majoring in heating, gas, ventilation and air conditioning engineering from Tianjin University in March 2009 and June 2012, respectively. He was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2005. He obtained his certificate of PRC registered utility engineer (中國註冊公用設備工程師) from the Ministry of Housing and Urban-Rural Development in October 2010. Mr. Li has been a representative of the 15th and 16th People's Congress of Xicheng District, Beijing.

Non-executive Directors

Ms. Wang Liping (王麗萍) (formerly known as Wang Liping (王立平)), aged 59, is the chairwoman and non-executive Director of the Company, and is the deputy general manager of BUCG. Ms. Wang served as the Director and Chairman of Beijing Urban Construction Design & Research Institute Co., Ltd., our predecessor, from November 2002 to the date of conversion of the Company, during which period she also acted as its acting president from February 2009 to May 2011. She was appointed as the chairman and non-executive Director of the Company on 28 October 2013. Ms. Wang worked at the Enterprise Department of Beijing Urban Construction Engineering Corporation (北京市城市建設工程總公司), the predecessor of BUCG, from September 1986 to October 1992. She served as the chief economist of Beijing Urban Construction Decoration Engineering Corporation Company (北京市城市建設裝飾工程公司) in charge of its economic work from October 1992 to September 1993; the deputy chief economist of Beijing Urban Construction Group Corporation (北京城建集團總公司), the predecessor of BUCG, from September 1993 to July 1994; the chief economist of Beijing Urban Construction Group Corporation from July 1994 to July 1999; and the chief economist of BUCG, which was principally engaged in construction contracting, real estate development and design and consultancy businesses before its reorganization, from July 1999 to July 2012. She has been acting as the deputy general manager of BUCG since July 2012. Ms. Wang obtained her bachelor's degree in economics majoring in political economics from Nankai University (南開大學) in Tianjin in September 1984 and was awarded a master's degree in economics by Nankai University in September 1986. Ms. Wang was qualified as a senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in December 1993.

Mr. Guan Jifa (關繼發), aged 52, is a non-executive Director of the Company, and is the deputy general manager of Beijing Infrastructure Investment Co., Ltd.. From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban No. 3 Construction Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd. (北京京創投資有限公司) from January 2008 to March 2010. He has been the general manager of the land development business department, assistant to the general manager and deputy general manager of Beijing Infrastructure Investment Co., Ltd. since March 2010. He has been a non-executive director and chairman of China City Railway Transportation Technology Holdings Company Limited (a company listed on Hong Kong Stock Exchange, Stock Code:1522) since October 2015. He served as the chairman of the Board of Beijing Railway Traffic Technology Equipment Group Co., Ltd. (北京軌道交通技術裝備集團有限公司) since December 2016. Mr. Guan obtained a bachelor's degree majoring in mining engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1987. From August 1992 to June 1994, he studied at Northern Jiaotong University (北方交通大學), majoring in railway engineering. From April 2002 to July 2004, he took an MBA course at University of International Business and Economics in China (中國對外經濟貿易大學) through on-the-job learning. In January 2009, he obtained a Doctorate degree majoring in civil engineering construction and management from Xi'an University of Architecture and Technology (西安建築科技大學). Mr. Guan was awarded a senior engineer qualification by Beijing Senior Specialised Technique Titles Evaluation Committee (京市高級專業技術職務評審委員會) in September 1999.

Mr. Su Bin (蘇斌), aged 51, is a non-executive Director of the Company, and the deputy general manager of Beijing Rail Transit Construction and Management Co., Ltd. (北京市軌道交通建設管理有限公司) ("Rail Transit Company"). Mr. Su served at the Ministry of Railways and was in charge of the technical and management work for several years from July 1988. He acted as the chairman and party secretary of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the "No. 3 China Railway") from October 2001 to February 2003; the deputy supervisor and chief engineer of Beijing supervising unit of the No.3 China Railway from February 2003 to July 2003; and the supervisor of Jijie-Mongolia highway construction and supervising unit of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at Rail Transit Company from December 2003 to May 2008 and served as the deputy secretary and general manager of Line 5 project management unit, and the secretary of Line 10 project management unit in Beijing. Mr. Su has been the deputy general manager of Rail Transit Company since May 2008. Mr. Su obtained his bachelor's degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master's degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a professor-grade senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2006.

Mr. Yan Lianyuan (閆連元), aged 55, is a non-executive Director of the Company, and the deputy general manager of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司). Mr. Yan has successively served as the technician, section chief, engineering commander, deputy commissioner, deputy executive commissioner, commissioner of the Beijing Pinggu Highway Administration Institute (北京市平谷公路管理所) (Pinggu Branch of Beijing Highway Bureau (北京市公路局平谷分局)) from July 1984 to September 2002; the assistant to the general manager of Beijing Gonglian Highway Connect Line Co., Ltd., which is primarily engaged in the construction management of urban roads and facilities, from September 2002 to present, and successively and concurrently served as the head of plan and contract department, the general manager of Beijing Gonglian Investment Management Co., Ltd. (北京公聯投資管理有限責任公司), the chairman of Beijing Gonglian Jingsheng Petrochemical Co., Ltd. (北京公聯京勝石化有限公司), the chairman of Beijing Gonglian Shouqi Petroleum and Chemical Co., Ltd. (北京公聯首汽石化有限公司), and the general manager of Kunming New Airport Highway Construction and Development Co., Ltd. (昆明新機場高速公路建設發展有限公司). Mr. Yan graduated from Beijing Construction Engineering College (北京建築工程學院) majoring in road and bridge, with a bachelor degree of engineering in July 1984.

Mr. Tang Shuchang (湯舒暢), aged 57, is a non-executive Director of the Company, and the assistant to the general manager of Beijing Urban Construction Group. Mr. Tang worked as an assistant to the logistics department in Army 00092 of Infrastructural Engineering Brigade (基建工程兵零零零九二部隊) from December 1978 to July 1983; the officer of the finance division of Beijing Urban Construction No. 4 Corporation (北京城建四公司) from August 1983 to April 1991; the cost accountant of the finance department of Beijing Urban Construction Engineering Corporation from April 1991 to June 1995; the deputy head of the asset department of Beijing Urban Construction Group from June 1995 to June 1998; he has been the head of the capital management department of Beijing Urban Construction Group since June 1998; an assistant to the general manager of Beijing Urban Construction Group since March 2011; the supervisor and chairman of the Board of Supervisors of Beijing Urban Construction Investment Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) since July 2002. Mr. Tang graduated from Central College of Finance and Economics (中央財經學院) majoring in infrastructure finance and credit in July 1988; he was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 1999.

Independent Non-Executive Directors

Mr. Zhang Fengchao (張鳳朝), aged 71, is an independent non-executive Director of the Company. From August 1968 to September 1979, Mr. Zhang worked as an exploration worker, the vice secretary of Chinese communist party sub-committee, the vice division head, and the deputy secretary to the Party general branch of the Wangping Village coal mine under Beijing Mining Bureau (北京礦務局). From September 1979 to January 1985, he worked at the party school, the education training centre (including the party school) and the organisation division under Beijing Mining Bureau in various positions including the division head, the deputy principal, the general vice director and vice secretary, and the vice head of organisation division. From January 1985 to November 1998, he acted as the vice party secretary (and also as the secretary of the disciplinary committee and vice chairman of Mentougou District People's Congress) and the secretary of Beijing Mining Bureau. From November 1998 to January 2000, he acted as the standing vice secretary for Beijing National Authority Working Committee (北京市國家機關工委). From January 2000 to October 2003, Mr. Zhang served as the secretary for Urban Construction Working Committee of the Beijing Municipal Committee (北京市委城建工委) and from October 2003 to November 2007, he served as the secretary and vice director of the Committee of the State-owned Assets Supervision and Administration of the People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). From November 2007 to October 2008, he was the executive director for the National Stadium Operation Team of the Beijing Olympic Organisation Committee, and from October 2008 to May 2010, he served as the team-head of the scientific development teaching and guiding team of the Beijing Municipal Committee. Mr. Zhang retired in May 2010. Since May 2010, he has been the Chair of Beijing Olympic City Development Foundation (北京奧運城市發展基金會). Since December 2013, he has held the office of the vice chairman of the board of Beijing Charity Foundation (北京市慈善基金會). Mr. Zhang graduated as an on-the-job post-graduate majoring in economics and management from Central Party School of Chinese Communist Party in January 1997. He was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2004.

Mr. Wang Dexing (王德興), aged 71, is an independent non-executive Director of the Company. He worked in the flood detention office, Taiqian County, Henan Province (河南省台前縣滯洪辦公室) from 1962 to 1965. From 1965 to 1971, Mr. Wang took up the role as the secretary and vice platoon leader of the 17th company of 57th regiment of Railway Brigade and participated in the first phase construction work (parts of construction work of Line 1 and Line 2) for Beijing Subway, the first underground railway in China. In 1971, he switched to work in Beijing Metro Corporation (北京地鐵總公司) and till 2001 served as the party secretary for the metro power supply session and the vehicle session of Taiping Lake (太平湖) and the head of organization department of the Party Committee, general committee member, deputy party secretary and secretary of the disciplinary committee as well as party secretary of Beijing Metro Corporation. From 2001 to 2003, Beijing Metro Corporation was converted into Beijing Metro Group (北京地鐵集團). Mr. Wang served as the chairman and party secretary of the group and the chairman and party secretary of Beijing Mass Transit Railway Operation Corporation (北京地鐵運營公司). Between 2003 and 2008, he acted as the chairman and party secretary of Beijing Mass Transit Railway Operation Corporation. Between 2006 and 2011, Mr. Wang took up the role as the director for both Beijing Infrastructure Investment Co., Ltd. and Beijing Environment Sanitation Engineering Group (北京環衛集團). Between 1995 and 2010, he served as the chairman of Research Association of the Party Construction of Beijing Subway Light Rail (北京地鐵輕軌黨建研究會). Mr. Wang had been elected as the 8th, 9th and 10th Party representative of Beijing Municipality, the representative for the 12th NPC (National People's Congress) of Beijing Municipality and the deputy head for the NPC Urban Construction and Environmental Protection Committee (城建環保委員會) for that session. Mr. Wang graduated from Beijing Municipality Xicheng Vocational College (北京市西城職大) in 1984; graduated from Beijing College of Accounting and Finance (北京財貿學院) in 1987 through on-the-job learning; graduated from the class for further studies for prefectural and departmental cadres of the Central Party School in 1993. In 1995, Mr. Wang graduated from Central Party School majoring in Economics and Management.

Dr. Yim Fung (閻峰), JP, aged 54, is an independent non-executive Director of the Company. He has over 26 years' experience in the financial industry. Dr. Yim joined Junan Securities Co., Ltd. (君安證券有限公司) in 1993 and joined Guotai Junan Hong Kong Group (國泰君安香港集團), which is primarily engaged in financial services, in 2000. He currently acts as the chairman of the board, executive director and chief executive officer of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 1788) and is fully in charge of the general operation and management of Guotai Junan International Holdings Limited and its subsidiaries. Dr. Yim has been a non-executive director of Shenzhen International Holdings Limited (深圳國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 0152). Dr. Yim is a senior economist, and holds doctorate of economics of Graduate School of the Chinese Academy of Social Sciences (中國社會科學院) and a bachelor's degree in environmental engineering of Tsinghua University (清華大學). Dr. Yim is currently a committee member of the 13th Inner Mongolia Autonomous Region of Chinese People's Political Consultative Conference and is a member of the Election Committee of the Hong Kong Special Administrative Region. He also serves as vice chairman of the International Cooperation Professional Committee of China Securities Industry Association (中國證券業協會), vice president of the Hong Kong Chinese Enterprises Association (香港中國企業協會), vice president of the Hong Kong China Chamber of Commerce (香港中國商會), life honorary chairman of the Chinese Securities Association of Hong Kong (香港中資證券業協會), vice president of Chinese Financial Association of Hong Kong (香港中國金融協會) and vice president of the Listed Companies Committee of the Hong Kong Chinese Enterprises Association.

Mr. Sun Maozhu (孫茂竹), aged 59, is an independent non-executive Director of the Company. He obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr. Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by China Securities Regulatory Commission and School of Economics & Management Tsinghua University (清華大學經濟管理學院) in June 2002 and currently serves as an independent director for Casin Guoxing Property Development Co., Ltd. (財信國興地產發展股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 000838). He obtained his bachelor's degree of economics majoring in financial accounting from Renmin University of China in July 1984. In July 1987, he obtained his master's degree of economics majoring in accounting from Renmin University of China. Mr. Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 50, is an independent non-executive Director of the Company. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the research centre on transport and environment of the School of Civil Engineering of Beijing Jiaotong University. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor degree of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master's degree of science in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctor degree of engineering in civil structural engineering from Dalian University of Technology. In December 1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Northern Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the working committee of Urban Rail Transit Technology of China Civil Engineering Society. In December 2002, Mr. Liang obtained the qualification of Senior Teachers of Higher Education from Beijing Municipal Commission of Education (北京市教育委員會).

SUPERVISORS

Mr. Yuan Guoyue (袁國躍), aged 59, is a Supervisor and chairman of the supervisory board of the Company and currently the head of sales and marketing department of BUCG. Mr. Yuan served as the chief engineer of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from January 1990 to December 1993; the project manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from December 1993 to December 2003; the deputy manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from December 2003 to August 2006 and concurrently the project manager of each of the project of Terminal T3 and National Stadium; the deputy manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from August 2006 to August 2007; the deputy manager of construction contracting department of BUCG from August 2007 to December 2010; a director of Beijing Urban Construction No. 5 Asset Management Co., Ltd. from January 2010 to April 2016 and the head of sales and marketing department of BUCG from December 2010 to present. In January 1983, Mr. Yuan graduated from Chongqing Architecture College (重慶建築高等專科學校) with a college degree in industrial and civil construction. In August 2001, he graduated from the master programme in business administration of College of Economics and Business Administration of Beijing Normal University (北京師範大學經濟管理學院). In 2004, Mr. Yuan was qualified as a senior engineer evaluated by the Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會), a Constructor of the Ministry of Construction of the People's Republic of China (now the Ministry of Housing and Urban-Rural Development of the People's Republic of China) (中華人民共和國建設部，現稱中華人民共和國住房和城鄉建設部) in June 2008 and a Chartered Architect of the Royal Institute of British Architects (英國皇家建造師協會) in December 2008.

Ms. Nie Kun (聶菎), aged 47, is a Supervisor of the Company, and the first chairman of the supervisory board of BUCG. She was engaged in accounting work in the fifth sub-company of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from July 1992 to March 1996. She was the chief officer of the fifth sub-company of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from March 1996 to March 1997. She was a senior staff of the audit department of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from March 1997 to October 1999; a staff of the finance department of BUCG Xinye Company from October 1999 to April 2000. Since April 2000, she has served as a senior staff of the first unit of the audit department, a deputy head of the audit and investigation department, the head of the finance department and the first chairman of the supervisory committee of BUCG. Since 28 October 2013, Ms. Nie has served as the Supervisor of the Company. She obtained a bachelor of economics degree in investment economic management from the Central Institute of Finance (中央財政金融學院) in June 1992. She obtained a professional accountant certification from the Beijing Municipal Bureau of Finance (北京市財政局) in September 1995, and was recognised as a qualified internal auditor by China Association of Internal Audit (中國內部審計協會) in December 2003. She was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in January 2005. She became a non-practicing member of Chinese Institute of Certified Public Accountants in September 2010.

Ms. Zhao Hong (趙鴻), aged 28, is a Supervisor of the Company, and currently the senior manager of the fund investment department of Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心). Ms. Zhao has successively served as the business assistant, business executive and senior manager of the fund investment department of Beijing State-owned Capital Operation and Management Center from July 2013 to present. Ms. Zhao graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor degree in management in June 2011 and graduated from Central University of Finance and Economics with a master's degree in management in June 2013.

Mr. Chen Rui (陳瑞), aged 44, is a Supervisor of the Company, and the managing director of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司). Mr. Chen served as an engineer for Shenzhen Lingke Electronic Communication Appliances Co., Ltd (深圳市靈科電訊器材有限公司), which is primarily engaged in development and production of electronic communication appliances, from February 1998 to May 1999. From June 1999 to November 2002, he worked as the engineer, the manager and the vice general manager of the engineering technical department of Shenzhen Linker Industrial Co., Ltd. (深圳菱科實業有限公司), which is primarily engaged in research, development and production of numbering machines. He has successively served as an investment manager, vice investment president, chief supervisor, executive director, head and managing director of the Shenzhen office of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司), which is primarily engaged in venture capital business, from February 2005 up to present. Since 28 October 2013, Mr. Chen has served as a Supervisor of the Company. Mr. Chen obtained a bachelor of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Mr. Ren Chong (任崇), aged 42, is a Supervisor of the Company, and the vice general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren started to work in 1996, and he has more than ten years of investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture capital investment, from March 2008 to June 2009; the project manager of Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), which is primarily engaged in investment management, from July 2009 to February 2012; the deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd., which is primarily engaged in investment management business and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP), which is primarily engaged in non-securities investment, investment management and consultancy, since March 2012. Mr. Ren has served as a Supervisor of the Company since 28 October 2013. Mr. Ren obtained a bachelor of engineering majoring in metal material and processing from Central South University of Technology in June 1996 and a master of management majoring in enterprise management from Nankai University in June 2004.

Ms. Yang Huiju (楊卉菊), aged 48, is the vice chief engineer of the equipment division of the Xi'an branch of the Company. Ms. Yang has worked as the designer of the Company and then as the vice chief engineer of the Xi'an branch of the Company since July 1993. Ms. Yang obtained a bachelor of environmental engineering from Beijing Institute of Light Industry (北京輕工業學院) in July 1993. She was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in October 2004.

Mr. Liu Hao (劉皓), aged 38, is the vice chief engineer of the Xiamen branch of the Company. Mr. Liu has worked successively as the designer of the Company, the director of driving station office of the Company and then as the vice chief engineer of the Xiamen branch of the Company since July 2002. In July 2002, Mr. Liu graduated from Xi'an University of Architecture and Technology with a Bachelor's degree in general plan design and transportation engineering. In July 2009, he obtained a Master's degree in engineering through further education in the traffic engineering graduate class of Beijing Jiaotong University (北京交通大學). He was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in 2013.

Mr. Ban jianbo (班健波), aged 30, is the specialist in legal affairs and internal audit of the legal audit department of the Company. Mr. Ban has worked successively as the legal specialist of the enterprise management division of the Company and then as the specialist in legal affairs and internal audit of the legal audit department of the Company. Mr. Ban obtained a bachelor of laws from Southwest University of Political Science and Law (西南政法大學) in July 2009, then obtained a master of economic law from Southwest University of Political Science and Law. He was granted with legal professional qualification by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in March 2011 and was qualified as an intermediate economist in business administration.

Mr. Zuo Chuanchang (左傳長), aged 53, is an independent Supervisor of the Company. Mr. Zuo worked on project management and science and research editing in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted science and research editing in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. He was granted a post-doctorate degree jointly offered by Institute of Economics of Chinese Academy of Social Science (中國社會科學研究院經濟研究所) and Guangdong Fenghua Advanced Technology (廣東風華高科) in October 1999 to December 2001. He took up the role as a deputy researcher for Academy of Economic Research of the National Development Planning Commission (國家發展計劃委員會) (now known as the NDRC) from December 2001 to March 2005. He was a deputy head and the head of the Macroeconomic Research Institute, and a researcher of the Economic Research Institute of the NDRC (國家發展和改革委員會宏觀經濟研究院) from March 2005 to September 2011. Since September 2014, he has been the vice president of Institute of Scientific Research of Tsinghua University (清華大學科研院) and the distinguished research fellow of Institute of Industrial Innovation and Finance in Tsinghua University (清華大學產業創新與金融研究院). Mr. Zuo was awarded a bachelor's degree in engineering from Tsinghua University in July 1988, specializing in water conservancy and hydropower engineering construction. He was awarded a doctorate degree in economics by the Postgraduate School of Chinese Academy of Social Sciences in June 1998, specializing in investment economics.

OTHER SENIOR MANAGEMENT

Ms. Cheng Yan (成硯), aged 43, is a deputy general manager of the Company. Ms. Cheng was the project manager of the Planning and Design Division of Engineering Department of the Organizing Committee for the Beijing Olympic Games (BOCOG) from July 2002 to March 2005. She served as the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005. She took up the role as a deputy head and subsequently the head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy officer of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008). She was an assistant to the general manager of BUCG from February 2008 to 14 April 2014. Ms. Cheng served as a vice president of the Company from January 2009 to December 2013. Ms. Cheng has acted as a deputy general manager of the Company since 16 December 2013. Ms. Cheng obtained a bachelor's degree majoring in architecture at Tsinghua University in July 1997. She was a doctoral candidate jointly educated by School of Architecture of Tsinghua University and School of Design of Harvard University from September 2000 to May 2001, and obtained a doctor's degree of engineering majoring in architectural design and theory from Tsinghua University in July 2002. Ms. Cheng was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in August 2010.

Mr. Jin Huai (金淮), aged 53, is a deputy general manager of the Company, and the president of Beijing Rail Transit Design & Research Institute Co., Ltd.. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992. He served as the manager of the technical office, the assistant to the president and the chief engineer of Beijing Urban Construction Exploration & Surveying Institute from May 1992 to November 2000. Mr. Jin acted as the chief engineer of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計院有限責任公司) from December 2000 to May 2003. He was the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006. He served as the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from March 2005 to 21 October 2014. He took the role as the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute from 14 March 2008 to 21 October 2014. He was the deputy president of the Company from May 2003 to December 2013. He has been serving as the president of Beijing Rail Transit Design & Research Institute Co., Ltd. since 23 July 2014. Since 16 December 2013, Mr.Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering majoring in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985. Mr. Jin obtained a master's degree of science majoring in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Wang Liang (王良), aged 52, is a deputy general manager of the Company and the general manager of the Construction Contracting Department of the Company. Mr. Wang acted as an assistant engineer, an engineer, the vice president, the president the deputy director and the director of the Ministry of Railways Design Institute from July 1986 to March 2000. He also acted as the manager of the Shield Project Management Department of Shield Basis Branch and the assistant branch manager of BUCG from March 2000 to March 2004; the deputy chief engineer and the assistant manager of the construction contracting department of BUCG from March 2004 to June 2006; the deputy manager of construction contracting of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction contracting department of BUCG in October 2012. In December 2012, the rail transit construction contracting department of BUCG was restructured and consolidated into the Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr. Wang has been serving as a deputy general manager of the Company and he has been the general manager of the Construction Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the first class constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Wan Xuehong (萬學紅), aged 57, is a deputy general manager of the Company. Mr. Wan acted as an assistant engineer, an engineer and the officer of the technique department for the No. 2 Engineering Company of Beijing Railway Engineering Corporation under Beijing Railway Bureau from July 1982 to June 1992; the general superintendent of the scientific research projects of the Beijing Academy of Science and Technology of Beijing Railway Bureau from June 1992 to November 1993; and he has held the positions of the project manager, the department head, the deputy chief engineer, the deputy president and the assistant to president of Beijing Urban Construction Design & Research Institute and the general manager and the vice president of the Huazhong Branch Institute since November 1993 (from July 2012 to 23 July 2014, he has been the president for Beijing Rail Transit Design and Research Institute as well as the vice president of the Company). Since 16 December 2013, Mr. Wan has been serving as a deputy general manager of the Company. Mr. Wan obtained a bachelor's degree of engineering majoring in railway construction from Changsha Railway University in July 1982. In June 2006, he was qualified as a senior engineer of professor-level by Beijing Senior Specialised Technique Qualification Evaluation Committee (京市高級專業技術資格評審委員會).

Mr. Yu Songwei (于松偉), aged 52, is a deputy manager of the Company. Mr. Yu worked as a designer in the Subway Design & Research Laboratory (地鐵設計研究所) of Beijing Urban Construction Engineering Design Institute (北京市城市建設工程設計院) from July 1987 to May 1996; a chief electrical engineer in the Equipment Design Division (設備設計科) of Beijing Urban Construction Engineering Design Institute from May 1996 to September 1998; the deputy chief engineer of Beijing Urban Construction Engineering Design & Research Institute (北京市城建工程設計研究院) and the president of its Equipment Design Division from September 1998 to February 2002; the deputy chief engineer of Beijing Urban Construction Design & Research Institute and the president of its Electrical Design Division from February 2002 to February 2003; the deputy chief engineer of Beijing Urban Construction Design & Research Institute Co., Ltd. from March 2003 to February 2006; the deputy president of the Rail Transit Design & Research Institute (軌道交通設計研究院) of Beijing Urban Construction Engineering Design & Research Institute Co., Ltd. from February 2006 to August 2012; the president of the Rail Transit Design & Research Institute of Beijing Urban Construction Design & Development Group Co., Limited since August 2012 and has been acting as the deputy general manager of the Company since June 2016. Mr. Yu obtained a bachelor's degree in railway electrification and a master's degree in electrical engineering from Southwest Jiaotong University in July 1987 and June 2007, respectively. In September 2002, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會).

Mr. Yang Xiuren (楊秀仁), aged 53, is the Chief Engineer of the Company and a National Engineering Survey and Design Master. Mr. Yang has been an assistant engineer of the Bridge and Tunnel Department of No. 3 Survey Institute (第三勘察設計院) under the Ministry of Railway from July 1986 to December 1991; an engineer and the chief engineer for the Fourth Design Studio of Beijing Urban Construction Design and Research Institute from January 1992 to January 1996; the head of the Technical Department, the deputy chief engineer and the deputy president and chief engineer from January 1996 to May 2003; and has been the Chief Engineer of the Company since May 2003. Mr. Yang obtained a bachelor's degree of engineering majoring in tunnel and underground railway from Southwest Jiaotong University. In December 2003, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會), and was honoured as the National Master of Engineering Survey Design (全國工程勘察設計大師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 30 December 2016.

Mr. Xiao Mujun (肖木軍), aged 50, is the Chief Accountant of the Company. Mr. Xiao worked in No. 5 Urban Construction Company (城建五公司) where he served successively as project cashier, accountant, financial controller, project operating deputy manager and the deputy manager of that company's financial department from July 1993 to August 2001. He worked in Beijing Urban Construction Investment Development Co., Limited from August 2001 to August 2006, during which he acted as the financial head of the preparatory group for Beijing Urban Construction's Chongqing International Convention & Exhibition Center project from August 2001 to June 2002; a staff member of the audit department of Beijing Urban Construction Investment Development Co., Limited from June 2002 to June 2004; the financial director of Beijing CCID Info Tech Inc. from June 2004 to August 2006. He acted as the manager of the financial department, the deputy chief accountant and the manager of financial department and the deputy general manager of Beijing Urban Real Estate Exploitation Co., Ltd. from August 2006 to May 2009, from May 2009 to October 2012 and from October 2012 to May 2016, respectively. Mr. Xiao has been the chief accountant of the Company since June 2016. Mr. Xiao graduated from China Agricultural University majoring in land planning and utilization in July 1993. In December 2003, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (京市高級專業技術資格評審委員會).

Mr. Liu Li (劉立), aged 51, is the chief economist of the Company. He was a designer of the structure department of the Beijing Urban Construction Design Institute (北京城建設計院) from July 1990 to October 1996; the deputy general manager of Beijing Chengrong Waterproof Material Co., Ltd. (北京城融防水材料有限公司) from October 1996 to October 1998; the head of operating department and the assistant to president of Beijing Urban Construction and Design Institute (北京城建建築設計院) from October 1998 to December 2002; the head of operating department and the assistant to president of Beijing Urban Construction Design & Research Institute from December 2002 to September 2007; the vice president of the municipal department Beijing Urban Construction Design & Research Institute Co., Ltd. from September 2007 to September 2009. He has been the deputy chief economist and the chief economist of the Company since September 2009. Mr. Liu graduated from Beijing University of Technology (北京工業大學) majoring in industrial and civil architecture in July 1990. He was qualified as an engineer by Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) in February 1995 and qualified as a senior administrator of business administration in June 2010.

Mr. Xuan Wenchang (玄文昌), aged 49, is the secretary of the Board and a joint company secretary of the Company. Mr. Xuan worked with the 4th department of the No. 3 China Railway from July 1990 to December 1992; acted as the project financial manager for the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from December 1992 to September 2000; acted as a manager under the Finance Department of Beiyuan Hotel of BUCG from September 2000 to September 2006; worked at Beijing Urban Construction Investment Management Company from September 2006 to April 2008 (acted as the chief financial officer for Beijing Haiya Jinyuan Environmental Co., Ltd. from September 2006 to February 2008); acted as the deputy chief accountant of the Company from June 2008 up to now; acted as the head of the Listing Preparation Office of the Company from August 2011 to October 2014; and acted as the secretary of the Board and company secretary of the Company since 16 December 2013. Mr. Xuan graduated in Finance and Accounting from Shanghai Railway Institute in July 1990, and obtained an executive master's degree in senior business administration from Renmin University of China. In February 2007, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) and became a certified management accountant of the Institute of Certified Management Accountants in the U.S. in June 2013.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents this report together with the audited financial statements of the Group for the year ended 31 December 2017.

BUSINESS REVIEW

Principal Business

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

Operating Results and Financial Position

During the Reporting Period, adhering to the coordinated development of its full urban rail transit industry chain, the Company focused on the industry cooperation and made unified efforts to strengthen its business, setting a new record high in major business indicators. For the year ended 31 December 2017, the revenue of the Company amounted to RMB6,973 million, representing an increase of RMB1,883 million or 36.99% compared with the corresponding period of last year, among which revenue from the design, survey and consultancy business was RMB2,977 million, accounting for 42.69%, and revenue from the construction contracting business was RMB3,996 million accounting for 57.31%. The net profit amounted to RMB512 million, representing an increase of RMB33 million or 6.89% compared with the corresponding period of last year.

The rail transit design and consultancy business, which the Company's long existing and core business, continuously expanded in high speed, in which, the rail transit design business continued to top the industry, and achieved significant breakthroughs in various fields. The Group, as the first design enterprise for metros in China, won a total of 28 general contracting projects of design, continuously ranking the first position in the market with its absolute predominance, nine more general contracting projects ahead of comparing with the second position. The Group continued to lead the development of the domestic rail transit industry. (Quoted from the Rankings of Urban Rail Transit Design General Contracting Projects in China in 2017 (《2017中國城市軌道交通設計總體總包排行榜》) published by industry authoritative medias including the China Association of Metros (中國城市軌道交通協會) and the World Rail Transit Network (世界軌道交通資訊網)). In 2017, the Company won all 8 general contracting projects of survey in Changchun, with the total contract amount over RMB2.2 billion, breaking the domestic industry records both in one-time bid-winning lines and contractual amount in a single market, and successfully creating a new mode for the development of the urban rail transit projects in China. During the year, the Company also won the feasibility study, pre-feasibility study and construction planning of 20 metro lines in the market of Chongqing, laying a solid foundation for sustainable development. Newly developed cities: Daqing, Anyang, Changsha, Nantong, Luoyang, Zhangzhou, Lu'an, Zaozhuang, etc. Beijing Urban Construction Xinjie Rail Transit Engineering Consulting Co., Ltd. (信捷軌道交通工程諮詢有限公司), a member enterprise of the Company, is the first censorship institution for the construction drawings of urban rail transit in China and has the largest market shares in the industry. The sales from the survey business hit RMB1 billion for two consecutive years and maintained the first position in the rail transit survey industry. The Company has built a smart engineering institute, establishing three product systems including smart metros, smart construction sites and smart enterprises. The smart construction sites have been actually applied in the application of three-dimensional integration of rail transit surveying data in Beijing new airport, the operation and maintenance platform located in outer ring north road, Anqing, and in cities such as Shijiangzhuang, Yantai, Xi'an, Jinan and Qingdao. As to smart metros, the Company won the bid for the BIM application and security risk management consultancy project of rail transit in Binhai New Area, Tianjin, with the sales of RMB47 million. As to smart enterprise, the Company won the bid for the Group's information platform development integration project, with the bidding amount of RMB25 million.

During the Reporting Period, the Company made new achievements in the PPP business segment in three fields including subways, tramcars and municipal roads. The Company won the project of Line T2 of tramcar in Shunyi District, Beijing, which is the first tramcar PPP project that adopts DBFOT model in China. With the total investment of around RMB3.3 billion, the project marked that the Company had unveiled a new page in the PPP field. The Company newly won the bid for a PPP project for the construction of Linxi Road in Pukou district, Nanjing, with the total investment of around RMB1.5 billion. Adopting a BOT model, the project included the construction of municipal roads, utility tunnel and landscape plating engineering. The acquisition of the project not only has enriched the Company's performance in PPP projects in municipal road and utility tunnel, but also marked the entry of Company's PPP business in Jiangsu market, laying a basis for the follow-up market expansion. The Company signed the first PPP project in metro field–Kunming rail transit Line 4 project, with the expected total investment of RMB8.8 billion. Meanwhile, the Company's civil construction and municipal engineering business made a breakthrough in super high-rise buildings, and set up a market-conforming underground and air tunnel center. For civil construction segment, the Company consecutively won the bids for two super high-rise building projects including the constructions of Guobo Line & Network Control Center of Wuhan metro Line 16 and Wuhan Line & Network Center Plaza, achieving a landmark new leap in the civil construction field. The Company won the bid for a general contracting EPC design project in Gaoan, which was the first implemented project under the Ganzhou-Beijing Economic Cooperation Framework Agreement (《贛京經濟合作框架協議》), covering design in full fields including urban planning, new city reconstruction, infrastructure, landscape and underground tunnel, and 65 sub-projects, with a total contract amount of RMB200 million. The Company won the bid for the design project of Guyangshu venue group in Zhangjiakou division of 2022 Winter Olympics, ranking among the authorized design enterprises in Beijing for 2008 Olympic Games and 2022 Winter Olympic Games. The Company built the underground and air tunnel center, with the bidding amount of over RMB100 million. As for the real estate development segment, the Company created a "Huangshan new model", officially launched the municipal infrastructure construction of East Huangshan International Town. The Company continued to push ahead Pingguoyuan transportation hub project.

The Company's construction general contracting segment increased significantly in the market size and welcomed a new leap. Relying on the strengths of investment and financing platform and leading design capacity, the Company signed Delingha new energy tramcar demonstration line project, the 02 section of Beijing Subway Yanfang Line, the 03 section of the Phase I of Urumchi Line 4, and the 03 section of Yizhuang Modern Tramcar T1 line. The Company built a new tramcar center to coordinate resources and make unified efforts to plan for the accelerated development and layout of engineering construction.

The Company established three product systems through industrialization of scientific technology, and its tramcar intelligent control system ranked the first in contractual amount in China. The Company established three product systems including track products, intelligent control and trolleybuses through industrialization of scientific technology, in which, tramcar intelligent control system ranked the first in product sales nationwide and entered the markets in Yunnan, Qinghai, Shandong, Zhejiang, etc. The Company gave key focus on the research and development of the cloud-platform-based integrated automatic monitoring system of rail transit, which is a technical revolution for urban rail transit control system, and represents the direction of the technological development of rail transit control industry.

During the Reporting Period, the Company won a number of special awards in scientific technology excellence. *The Light Rail Transit Design Standard* (《輕軌交通設計標準》)GB/T51263–2017 mainly edited by the Company was released, filling the blank of standards in the domestic light rail field, extending the development ideas of the national urban rail transit, and providing a reliable guarantee for the construction, operation and development of the light rail project in terms of safety, quality, energy saving and environmental protection. In addition, during the year, the Company also formulated 2 industry standards and 10 local drawings; received 11 patents for invention; 6 provincial and ministerial level scientific and technological progress awards, 1 Zhantianyou Award, 2 provincial and ministerial level work methods, 3 demonstration projects of new technology application; and received 29 provincial and ministerial level excellent design awards, 5 excellent consultancy awards, 11 construction quality awards and 8 quality management awards.

During the Reporting Period, the Company was devoted to creating the "331" platform to continuously expand the industry influence. The Company gave key focus on the constructions of three technology innovation platforms including "National Engineering Laboratory for Green & Safe Construction Technology in Urban Rail Transit" (城市軌道交通綠色與安全建造技術國家工程實驗室), "Beijing Track Structure Engineering and Technology Research Center" (北京市軌道結構工程技術研究中心) and "Beijing Rail Transit Energy Conservation Engineering Technology Center" (北京市軌道交通節能工程技術中心), of three industry associations including "Engineering Consulting Special Committee of the China Association of Metros" (中國城市軌道交通協會工程諮詢專業委員會), "Rail Transit Branch of China Civil Engineering Society" (中國土木工程學會軌道交通分會) and "Urban Rail Transit Energy Conservation Committee of China Energy Conservation Association" (中國節能協會城市軌道交通節能專業委員會). Besides, the Company together with Beijing Jiaotong University (北京交通大學), Tsinghua University (清華大學), Tongji University (同濟大學) and Southwest Jiaotong University (西南交通大學) successfully held the first session of Science and Technology Innovation and Entrepreneurship Competition of China Urban Rail Transit.

The Company also won a number of special awards in the capital market in 2017, including the "Best Performance Award for Sustainable Development" (最佳可持續發展表現獎) and "Best ARC Award" (最佳年報設計獎) of China Financial Market Awards 2017 (2017年中國融資大獎), and the "BIVA Award for the 13th Five-year Plan Period" (十三五最具投資價值上市公司大獎) on the on the 7th China Securities "Golden Bauhinia Awards" (第7屆中國證券"金紫荊獎"). The Company's 2016 annual performance report won the bronze award of the "International ARC Awards" (國際ARC年報大獎). In 2017, the Company honorably won "Listed Company Award of Excellence" ("2017年度傑出上市公司獎") sponsored by Hong Kong Economic Journal (《信報》). Honors won by the Company within the period of a year spoke volume for the capital market's affirmation of the Company's development across the board.

In accordance with the "13th Five-Year Plan" strategic development plan, the Company will perform the strength of the full rail transit industry chain, and focus on its objective of "Becoming a Ten Billion Enterprise" ("百億企業"), grasping the opportunities brought by the national efforts to deepen the supply side reform, keep on expanding design and consultancy, strengthen construction contracting, so as to achieve a leapfrog development, and strive under the corporate vision of "becoming an integrated service provider of urban construction directed by design".

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

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

Major Risks and Uncertainties

Risks on Macro Policy

The fluctuations in state macro-economic policy, industry policy and industry planning will have a significant and direct impact on the development of the Company. The rail transit industry is one of fundamental industries of the national economy and PPP is an emerging business model in China. Currently, the development of the national rail transit infrastructure construction and of the PPP business model tends to be smooth, and if there is any change in the state's future economic policies, the Company's business may be adversely affected; and if the Company fails to timely adapt and adjust its operation strategies, this may bring operation risk to the Company.

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

Exchange Rate Risks

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

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

Risks on Market Competitions

Under the premise of a slowdown in the national economy, the state will selectively tighten fiscal policies, slow down investment in urban infrastructure and intensify the relevant audit of PPP projects, thus slowing down the development of the urban rail transit market and increasing competition. With local resources and related advantages, new design enterprises have made some achievements after entering the urban rail transit market. Industry leaders are facing more severe market competition. If facing more intensive competition, the Company will be unable to put forward a positive market strategy, which may affect the overall market shares of the core businesses of the Company, thus leading to stagnant business development and affecting corporate profit level.

Countermeasures: the Company shall conquer the dominant position in an increasingly competitive market through timely follow-up on projects previously under tracking, understanding of market information and a grasp of the dynamics of competitors and the sufficient carrying out of market activities; at the same time, well fulfill contracts of projects in hand, improve service quality, continuously improve the Company's core competitiveness and maintain its customers' satisfaction towards its technology and services through the overall improvement of technical level, so as to maintain the market shares of the Company.

Future Development Prospects

The year of 2018 is the first year of implementing the spirit of the 19th National Congress of Communist Party of China ("**CPC**") and the crucial year to secure a decisive victory in building a moderately prosperous society in all respects and to implement the "13th Five-Year Plan". In 2018, the national economy will move towards a high-quality development stage. The driving force of economic growth will mainly come from resolving the "unbalanced and inadequate" ("不平衡，不充分") contradictions between supply and demand in the new era, and the economy has a good foundation for moving towards a high-quality development stage. First, focusing on the Belt and Road Initiative, the country will adhere to the principles of bringing in and going global equally, and push forward the formation of the all-around opening up new layout. Second, the country will continue to push state-owned capital to become stronger, better and larger, and improve the state-owned enterprises and assets reform plan in 2018. Centered with capital management, it will accelerate the transformation of the functions of state-owned assets supervision institutions, and reform the authorization operation system of state-owned capital. In the era when the country's supply-side structural reform enters the 2.0 version, the country puts forwards to push the transformation from made-in-China to created-in-China, from China-speed to China-quality, and from large manufacturer to strong manufacturer. It will vigorously cultivate new drivers, intensify technological innovation, promote the optimization and upgrade of traditional industries, nurture a group of vanguard enterprises with innovative capabilities, and actively promote the in-depth development of the integration of military and civilians. The country will further deepen the reform of the financial system, start financial regulatory reform in a comprehensive way, and encourage mixed ownership reform and employee stock ownership.

The year of 2018 is a crucial year for the Company to practice the "13th Five-Year Plan" strategic plan, and to carry forward the strategy to achieve a leapfrog development. According to the overall goal of the "13th Five-Year Plan", the Company will give full play to our own characteristics to stabilize its development direction, make full use of qualification advantages to excel in design and consultancy business in all fields. At the same time, the Company will make good use of the development of market segments, and dig in the market segments to fully supplement business, explore and innovate for the Company. As for construction general contracting segment, the Company will continuously improve profitability and strengthen the integration of internal business segments. In terms of management, the Company will continuously improve service efficiency to create a model in which "outward-oriented" management functions can directly serve customers; it will refine the control over accounting units to strengthen internal coordination, which will become another core competitiveness of the Company. Closely surrounding the full industry chain of urban rail transit and complying with its business strategy of expanding design and consultancy, strengthening construction general contracting and actively expanding new businesses, the Company will focus on industry synergy and take use of capital tie to continuously enhance the capacity building of the corporate headquarter, and achieve a promotion both in development scale and development quality. For the discussion on the future development of the business of the Company, please refer to the section headed "Management Discussion and Analysis" in this report.

Corporate Environmental Policy and Performance

The Company continued to play its leading role in technology innovation and the industry in industries with traditional advantages. Using technology research and development platform of green and safe construction for urban rail transit as well as rail transit energy-saving, the Company made significant breakthroughs in environmental protection and green energy-saving in the rail transit industry. "The innovation and application of environmental guarantee and energy-efficient key technology of metros" declared by Li Guoqing and Meng Xin of the Company won the second prize of the National Technology Invention Award. The project makes a significant contribution to improve the environmental guarantee, energy conservation and emission reduction in metros, to promote the technological progress in the metro environment control industry, and has a broad application prospect and important promotional value.

The Company complies with the PRC and overseas environmental laws and regulations relating to air pollution, noise emission, hazardous substances, waste water and waste discharge and other environmental matters. It places emphasis on environmental protection, and complies with requirements of GB/T24001–2016ISO 14001:2015 environment management system. There was no breach of environmental laws and provisions during the Year, and the Company was not subject to any administrative penalties. The Company will continue to fulfill its social responsibilities, prepare environmental, social and governance reports in compliance with relevant requirements, and make relevant reports and disclosures as required.

Combining the actual situation and features of construction project engineering, the Company comprehensively adopted strict supervision and control over construction safety, seasonal construction, emergency and flood control, labour management and environmental-friendly construction. The Company's overall production safety was stable and steady. Standardized management was fully implemented in safe production, and the Company was fully in compliance with environmental protection standards. In 2017, the Company built a "Safe Production Standardization Construction Site" of the national construction project, a "Beijing Green & Safe Sample Site" and three provincial (municipal) standard sites.

Compliance with Relevant Laws and Regulations of Major Concerns

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

The Company insists to perform corporate and social responsibilities, attaches importance to occupational health and safety, and strictly adheres to the established GB/T28001–2011/(OHSAS 8001:2007) occupational health and safety management system. Pursuant to the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》), the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》) and the Regulations on Work Safety Licenses (《安全生產許可證條例》), the Company regularly identifies risk sources, assesses risks, and formulates corresponding control and contingency response measures. It also promotes health and safety through regular training programmes and awareness activities, and makes follow-up and implementation in production activities. During the Reporting Period, the Company had no accidents related to safety responsibility production caused by poor management.

The Company attaches great importance to quality management. Adhering to the value of "customer first, fighting will as the foundation, integrity and pragmatism, pursuit of excellence" and the quality policy of "scientific management, super quality, and continuous improvement, customer satisfaction", the Company has built a well-established quality management system. The Company's businesses are all strictly in compliance with the requirements of the quality management system of the Company and national requirements of GB/T19001–2016/ISO 9001: 2015. The Company regularly organizes internal audit on the implementation of quality management, and makes continuous improvement on the operation of the quality management system to ensure the appropriateness, sufficiency and effectiveness of the quality management system. During the Reporting Period, there was no quality accident.

Material Relationships between Employees, Clients and Suppliers

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

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

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 121 to page 122 of this report.

On 29 March 2018, the Board of Directors resolved to propose the distribution of a final dividend of RMB0.0994 per share (before applicable tax) for the Year, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal for the payment of the final dividend is subject to the approval of shareholders of the Company at the 2017 annual general meeting to be held on 29 May 2018. If approved, it is expected that dividend will be paid to the shareholders whose name appear on the register of shareholders of the Company dated 7 June 2018 on 31 July 2018.

The register of members of the Company will be closed from Sunday, 29 April 2018 to Tuesday, 29 May 2018, both days inclusive, during which period no transfer of Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Tuesday, 29 May 2018 shall be entitled to attend and vote at this annual general meeting. Holders of H Shares who wish to attend and vote at this annual general meeting shall lodge all transfer documents accompanied by the relevant H Share certificates with the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 27 April 2018 for registration.

To determine the list of the shareholders entitled to receive the final dividend, the Company's register of members will be closed from Saturday, 2 June 2018 to Thursday, 7 June 2018, both days inclusive, during which period no transfer of H Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Thursday, 7 June 2018 are entitled to receive the final dividend. In order for holders of H Shares of the Company to qualify for the payment of the final dividend, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 1 June 2018 for registration.

In accordance with Article 157 of the Articles of Association, the dividend will be declared in RMB to the shareholders of the Company. The dividend payable to holders of Domestic Shares will be paid in RMB within three months after the dividend declaration date. The dividend payable to holders of H Shares will be paid in Hong Kong dollars within three months after the dividend declaration date. The amount to be paid in Hong Kong dollars will be converted based on the average closing exchange rate between RMB and Hong Kong dollars issued by the People's Bank of China for the five business days prior to the date of approving the declaration of dividends at the 2017 annual general meeting to be held on 29 May 2018.

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

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

Withholding and Payment of Enterprise Income Tax on Behalf of Overseas Non-Resident Enterprises

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

Withholding and Payment of Individual Income Tax on Behalf of Overseas Individual Shareholders

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the Directors, Supervisors and senior management of the Company are set out from pages 35 to 50 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

Mr. Kong Lingbin tendered his resignation as a non-executive Director of the Company on 17 January 2017 due to change of job assignment, with effect from 9 March 2017. At the 2017 first extraordinary general meeting convened on 9 March 2017, Mr. Yan Lianyuan was appointed as a non-executive Director so as to fill the vacancy resulting from the resignation of Mr. Kong Lingbin, for a term commencing from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board. For details, please refer to the announcements issued by the Company dated 17 January 2017 and 9 March 2017, respectively.

Due to the requirement that Party and political leaders and cadres over 70 years of age should not work part-time in enterprises as set out in the *Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises* (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》), Mr. Zhang Fengchao tendered his resignation from his positions as an independent non-executive Director of the Company and the chairman of the Nomination Committee under the Board, with effect from the date of a new independent non-executive Director being elected at the shareholders' general meeting of the Company. For details, please refer to the announcement issued by the Company dated 13 March 2017.

Due to relevant regulations on Party and political leaders and cadres working part-time in enterprises, Mr. Chen Daihua tendered his resignation from his position as an independent non-executive Director, with effect from 24 November 2017. For details, please refer to the announcement issued by the Company dated 24 November 2017.

Ms. Guo Yanhong resigned as a non-executive director of the Company due to work arrangement with effect from 26 March 2018. For details, please refer to the announcement of the Company dated 26 March 2018.

Changes of Supervisors

At the first extraordinary general meeting of shareholders of the Company in 2017 convened on 9 March 2017, Mr. Yuan Guoyue was appointed as a shareholder representative Supervisor to fill the vacancy resulting from the resignation of Mr. Yao Guanghong, with a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Ms. Zhao Hong was appointed as a shareholder representative Supervisor to fill the vacancy resulting from the resignation of Mr. Fu Yanbing, with a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. On 9 March 2017, the Company elected Mr. Yuan Guoyue as the chairman of the Board of Supervisors after consideration and approval at the meeting of the Board of Supervisors of the Company. For details, please refer to the announcement issued by the Company dated 9 March 2017.

Due to the requirement that Party and political leaders and cadres over 70 years of age should not work part-time in enterprises as set out in the *Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises* (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》), Mr. Zhang Junming tendered his resignation as an independent Supervisor, which was effective from 1 August 2017. For details, please refer to the announcement issued by the Company dated 1 August 2017.

Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo have been elected as new employee representative Supervisors by the second meeting of the first session of workers congress. Ms. Mi Jianzhou, Mr. Zhang Wei and Mr. Wang Wenjiang stepped down as employee representative Supervisors. For details, please refer to the announcement issued by the Company dated 18 August 2017.

Mr. Wang Jingang tendered his resignation as an employee representative Supervisor due to the arrangement of other work, and the resignation was effective from 9 October 2017. For details, please refer to the announcement issued by the Company dated 9 October 2017.

Changes of Senior Management

Mr. Xu Xiaodong tendered his resignation as the vice general manager of the Company on 31 March 2017 due to change of job assignment.

Save as disclosed above, there was no change of other Directors, Supervisors and senior management of the Company for the year ended 31 December 2017.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

For the year ended 31 December 2017, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or their connected entity has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

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

As at 31 December 2017, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

Name	Position	Nature of Interests	Class of Shares	Number of Shares	Approximate percentage of total issued H Share capital (%)	Approximate percentage of total issued Share capital (%)
Ms. Wang Liping	Chairman and non-executive Director	Personal interest	H Shares	52,000	0.01	0.004
Mr. Wang Hanjun	Executive Director and general manager	Personal interest	H Shares	48,000	0.01	0.004
Mr. Li Guoqing	Executive Director	Personal interest	H Shares	48,000	0.01	0.004

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

Save as disclosed above, as at 31 December 2017, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2017, none of the Directors of the Company had interests in any business that competes or is likely to compete, either directly or indirectly, with the Company's business.

EQUITY-LINKED AGREEMENTS

In 2017, no equity-linked agreements was entered into by or subsisted in the Company, and there was no provision to enter into any agreements which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2017, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if made by the Company).

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of remuneration of the Directors, Supervisors and senior management for the Year are set out in notes 8 and 35 to the financial statements.

For the year ended 31 December 2017, the remuneration of other senior management members by bands is set out as follows[Note]:

Remuneration Band	Number of Person
Less than or equal to RMB500,000	1
RMB500,001-1,000,000	7
RMB1,000,001-1,500,000	2

Note: the number of person indicated above includes one resigned senior management.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

STOCK OWNERSHIP PLAN OF CORE EMPLOYEES

According to relevant laws, regulations, regulated documents of the Company Law, the Securities Law and others, and relevant regulations of the Articles of Association, combined with the actual conditions of the Company, the Company drew up the stock ownership plan of core employees, which was considered and approved at the second extraordinary general meeting in 2017, in order to establish a long-acting incentive and restraint mechanism between employees and shareholders for sharing revenue, risks and responsibilities and jointly operating business, maintaining the stability of core employee team and improving the cohesion of employees and the competiveness of the Company, so as to further optimize the equity structure and improve the governance mechanism to promote a long-term development of the Company.

The criterions for joining the stock ownership plan include (1) core employees who work in key posts of the Company and have a direct or significant impact on the Company's business performance and sustainable development, including but not limited to Directors of the Company (other than Directors who are not employees in the Company), senior management, scientific research personnel, management and other business backbone, with the total number of less than 190; (2) employees (other than academicians) who have entered into a formal labor contract with the Company or a subsidiary of the Company and have not surpassed the statutory retirement age since the date of approving resolutions of the Board of Directors (25 July 2017); (3) those who are with post ranks of above deputy director in professional institutes of the Company, with above deputy post ranks in functional departments, with above senior post ranks, or have registered professional qualifications corresponding to the professional titles of the Company; (4) If more than one immediate family members of candidates work in the Company or in subsidiaries of the Company, only one among them can become a candidate; and (5) the final number of participants and the amount subscribed based on post will be determined according to actual payment.

According to the stock ownership plan of core employees, the source of shares of the stock ownership plan of core employees is non-public offering of domestic shares with par value of RMB1.00 per share. The total number of shares does not exceed 76 million domestic shares, representing approximately 5% of the issued share capital of the Company after completion of the Private Placement. Domestic Shares held by a single holder shall not exceed 1 million shares, or 0.079% of the total issued share capital of the Company. The issue price should be RMB3.43 per share. The lock-up period of the stock ownership plan of core employees is 36 months.

On 1 February 2018, the Company completed the registration of the issue of 76,000,000 domestic shares in China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) under special mandate, with the issue price of RMB3.43 per share. Of the total 76,000,000 shares in the stock ownership subscription plan of core employees, 11,400,000 shares were subscribed by connected participants.

In addition to the above stock ownership plan of core employees, the Company did not implement any share option plan in 2017.

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

As at 31 December 2017, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities & Futures Ordinance were as follows:

Domestic Shares

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

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.

2. Beijing Infrastructure Investment Co., Ltd. is a wholly state-owned enterprise established and funded by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

3. The general partner of Beijing Jingguofa Equity Investment Fund (Limited Partnership) is Beijing Jingguofa Investment Management Co., Ltd. The 100% equity interest in Beijing Jingguofa Investment Management Co., Ltd. is held by Baoding Taihangheyi Cement Co., Ltd. In addition, Beijing State-owned Capital Operation and Management Center is a limited partner holding 64.99% interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership). Each of the above entities was deemed to have interests in the same number of shares as Beijing Jingguofa Equity Investment Fund (Limited Partnership).

4. The general partner of Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is Beijing Bodao Investment Advisory Center (Limited Partnership), while the general partner of Beijing Bodao Investment Advisory Center (Limited Partnership) is Beijing Legend Capital Co., Ltd. Beijing Junqijiarui Enterprise Management Co., Ltd. holds 45.00% equity interest in Beijing Legend Capital Co., Ltd. Each of the above entities was deemed to have interests in the same number of shares as Tianjin Jun Rui Qi Equity Investment Partnership (LLP).

H Shares

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司)[1]	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited 京投(香港)有限公司[1]	Beneficial Owner	68,222,000	Long position	17.59%	5.06%
Pioneer Investment Management Limited	Investment Manager	54,922,000	Long position	14.16%	4.07%
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	3.91%
CRRC Group	Interest of controlled corporations[2]	26,222,000	Long position	6.76%	1.94%
Fidelity Investment Trust	Beneficial Owner	19,384,000	Long position	5.00%	1.44%

Notes:

1. Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) indirectly held interests in 68,222,000 H Shares of the Company through its wholly-owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司).

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

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance.

SHARE CAPITAL

The Company's share capital structure as at 31 December 2017 was as follows:

Class of Shares	Number of Shares as at 31 December 2017	Percentage of total number of Shares in issue as at 31 December 2017
Domestic Shares	960,733,000	71.24%
Foreign Invested Shares (H shares)	387,937,000	28.76%
Total	1,348,670,000	100%

On 1 February 2018, the Company completed the registration for the issuance of 76,000,000 domestic shares with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) under special mandate with the issue price of RMB3.43 per share.

PURCHASE, SALES AND REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of change in reserves of the Group for the Year are set out in the Consolidated Statement of Changes in Equity and note 30 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2017, the Company had distributable retained earnings of RMB1,136,733,000 excluding proposed 2017 final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest major customers of the design, survey and consultancy business of the Group accounted for 12.48% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 3.31% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 42.30% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 13.37% of the Group's total sales. To the best knowledge of the Directors of the Company, none of the Directors, Supervisors of the Company and their respective associates or any shareholders holding more than 5% interest in the share capital of the Company has any interest in the above major customers.

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

SUBSIDIARIES AND ASSOCIATES

Details of subsidiaries, joint ventures and associates are set out in note 1, note 15 and note 16 to the financial statements.

On 22 March 2017, the Company, together with Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) and BUCG established Beijing Urban Construction Investment Fund Management Co., Ltd. (北京城建投資基金管理公司). The Company and the above two companies held 30%, 30% and 40% equity respectively of the entity, which is also an associate of the Company. Its registered capital is RMB100 million and its business scope includes Investment management and consultancy services of non-securities business; (excluding engagement in the following business: 1. granting loans; 2. publicly trading securities investment or financial derivatives; 3. public fund-raising; 4. providing guarantees to enterprises other than the invested entities); and investment consultancy.

On 8 August 2017, the Company, together with Beijing Jingcheng Metro Co., Ltd. (北京京城地鐵有限公司), Beijing Shunyi New City Development Co., Ltd. (北京順義新城發展有限公司) and Beijing Subway Operation Co., Ltd. (北京市地鐵運營有限公司) established Beijing Jingjian Shuncheng Construction Investment Co., Ltd. (北京京建順城建設投資有限公司). The Company and the above three companies held 70%, 23%, 5% and 2% equity respectively of the joint venture, which is a non-wholly-owned subsidiary of the Company. Its registered capital is RMB700 million and its business scope includes publications retailing, catering services, road passenger transport, telecommunications operation, tobacco retail, project investment, investment management, rail transit operations management, product design, mechanical equipment maintenance, technical development, property management, as well as advertising design, production, agency and release.

On 16 August 2017, the Company increased its investment in Huangshan Eastern Development and Investment Co., Ltd. (黃山東部開發投資有限公司). The Company, Huangshan Tourism Group Co., Ltd. (黃山旅遊集團有限公司) and Huangshan City Huangshan District State-owned Assets Operation Co., Ltd. (黃山市黃山區國有資產運營有限公司) hold 20%, 27.5% and 52.5% equity respectively of the company, which is an associate of the Company. Its registered capital is RMB200 million and its business scope includes tourism project development, tourism infrastructure construction and investment, public service facilities construction and investment, commercial and tourism real estate development and sales, travel services and information consulting services.

On 11 September 2017, the Company, together with China Academy of Railway Sciences (中國鐵道科學研究院), Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), CRRC Industry Institute Co., Ltd. (中車工業研究院有限公司), Traffic Control Technology Co., Ltd. (交控科技股份有限公司), China Railway Design Corporation (中國鐵路設計集團有限公司), Sino Rail Information Engineering Group Company Limited (中鐵信息工程有限公司), and Shenzhen Metro Group Co., Ltd. (深圳市地鐵集團有限公司), established Urban Rail Innovation Network Center Co., Ltd. (城軌創新網絡中心有限公司). The Company, China Academy of Railway Sciences (中國鐵道科學研究院), Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), CRRC Industrial Institute Co., Ltd. (中車工業研究院有限公司), Traffic Control Technology Co., Ltd. (交控科技股份有限公司), China Railway Design Corporation (中國鐵路設計集團有限公司), Sino Rail Information Engineering Group Company Limited (中鐵信息工程集團有限公司) and Shenzhen Metro Group Co., Ltd. (深圳市地鐵集團有限公司), held 18.51%, 24.69%, 12.35%, 12.35%, 12.35%, 7.41%, 6.17% and 6.17% equity respectively of the entity, which is an associate of the Company. Its registered capital is RMB81 million and its business scope includes the development, promotion, transfer, consultancy, services and testing of technology; software development; sales of machinery and equipment, metal materials and electronic products; import and export of goods, technology and agency; advertising design, production, agency and release; as well as exhibition activities organizing.

On 7 December 2017, the Company together with China CREC Railway Electrification Bureau (Group) Co., Ltd. (中鐵電氣化局集團有限公司) and Kunming Rail Transit Line 4 Investment Management Co., Ltd. (昆明軌道交通四號線投資管理有限公司) established Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. (雲南京建軌道交通投資建設有限公司). The Company, China CREC Railway Electrification Bureau (Group) Co., Ltd. and Kunming Rail Transit Line 4 Investment Management Co., Ltd. held 78.28%, 7.52% and 14.2% equity of the joint venture, which is a joint venture of the Company. Its registered capital is RMB100 million and its business scope includes construction management of urban rail transit construction (section B), investment and financing related to operation, operation and management, mechanical and electrical equipment renovation, ticket management, commercial property development along the line, house lease along the line, advertising design, production, agency and along the line, resource development of rail transit station and underground space, development, operation and management of import and export resources of Kunming Rail Transit Line 4 (projects that must be approved legally can be carried out after approval from relevant authorities).

CONNECTED TRANSACTIONS

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

Non-exempt One-off Connected Transaction

On 24 February 2017, the Company, Beijing Urban Construction Group Co., Ltd. and Beijing Urban Construction Investment Development Co., Ltd. signed joint venture agreement about the establishment of joint venture. Please refer to the announcement of the Company dated on 24 February 2017.

According to the joint venture agreement, the total registered capital of the joint venture is RMB100 million, of which, the Company, Beijing Urban Construction Group Co., Ltd. and Beijing Urban Construction Investment Development Co., Ltd. invested RMB30 million, RMB40 million and RMB30 million respectively, with the respective shares of 30%, 40% and 30% of the joint venture. The business scope of the joint venture mainly include: equity investment management, equity investment, investment consultancy, business consultancy (finally refer to business administration).

The establishment of the joint venture will build a capital financing and operation platform for relevant business divisions of the Company, which will facilitate the exploration of financing channels and the start of fund financing business to meet the capital requirements for business development. The joint venture as firewall also facilitates the risk prevention of the Company. Besides, the joint venture will become a more flexible business unit in the Company's business and establish a strong coordinated relation among divisions to support and carry out the strategic policy of the Company. The opportunity for the establishment of the joint venture is very crucial, as it not only enriches the financing channels, but also meet the requirement for a long-term development of the Company.

China Urban Construction Group Co., Ltd., the controlling shareholder of the Company, directly and indirectly holds a combined share of 44.87%. Therefore, China Urban Construction Group Co., Ltd., its subsidiaries and contact persons are connected persons of the Company, according to the 14A chapter of the Hong Kong Listing Rules, under which, transactions of the establishment of joint ventures by the Group and China Urban Construction Group Co., Ltd., and its subsidiaries and or contacted persons constitute the continuing connected transactions of the Company.

Non-exempt Continuing Connected Transactions

The annual caps for the non-exempt continuing connected transactions of the Group in 2017 and the actual transaction amounts of such continuing connected transaction of the Group in 2017 are set out below:

	Year ended 31 December 2017 Actual amount (RMB million)	Annual cap (RMB million)
1. Property and Land Leasing Framework Agreement: Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries and/or associates	15.00	18.00
2. Integrated Services Framework Agreement:		
(1) Revenue generated by the Group from providing services to BUCG, its subsidiaries, and/or associates	66.00	1,456.00
(2) Expenditure incurred by BUCG, its subsidiaries and/or associates for provision of services to the Group	133.00	940.00

	11 July 2017 to 31 December 2017 Actual amount (RMB million)	Cap (RMB million)
1. Service Agreements: Revenue generated by the Group from providing service to Beijing Infrastructure Investment Co., Ltd. and its subsidiaries	64.00	N/A
2. Construction Contracting Agreements: Revenue generated by the Group from providing service to Beijing Infrastructure Investment Co., Ltd. and its subsidiaries	322.00	N/A

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

As disclosed in the prospectus of the Company, the Group has been, in the ordinary and usual course of its businesses, entering into continuing transactions with BUCG, its subsidiaries and/or associates including mutual provision of integrated services. To comply with the requirements of the Hong Kong Listing Rules, the Company entered into the Integrated Services Framework Agreement for a term of about two years and six months commencing from 18 June 2014 and ending on 31 December 2016 with BUCG on 18 June 2014 and set annual caps for the continuing connected transactions thereunder for the three financial years ending 31 December 2016. The annual caps for the revenue were RMB25.00 million, RMB30.00 million and RMB36.00 million respectively and the annual caps for the expenditure were RMB140.00 million, RMB164.00 million and RMB193.00 million respectively.

Pursuant to the Integrated Services Framework Agreement, it was agreed between BUCG and the Group that: (i) BUCG, its subsidiaries and/or associates provide engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing as well as training services and other services to the Group; and (ii) the Group provides services relating to construction design, survey and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services to BUCG, its subsidiaries and/or associates.

Pursuant to the Non-competition Agreement entered into by BUCG and the Company on 24 January 2014 and its Supplemental Agreement to the Non-Competition Agreement signed by the parties on 16 June 2014, the Company was restricted from requesting BUCG to assist the Company in bidding engineering and construction projects, including formation of a consortium with BUCG for bidding or provision of financing. In order to enable BUCG and the Company to cooperate and bid for new projects under specific circumstances, BUCG and the Company entered into the Supplemental Agreement II to the Non-competition Agreement on 29 October 2015 to specify three specific circumstances under which BUCG may cooperate and bid new projects for the Company.

On 9 December 2015, BUCG and the Company entered into the Supplemental Agreement to the Integrated Services Framework Agreement to expand the scope of the services to be provided by the Group to BUCG, its subsidiaries and/or associates to include "project sub-contracting and/or specialized services, including but not limited to project management and equipment leasing", pursuant to situations (2) and (3) referred to in the Supplemental Agreement II to the Non-competition Agreement. In addition, in anticipation of the increased revenue consequential upon the increased cooperation between BUCG and the Company and the number of new projects bid by BUCG for the Company under the Supplemental Agreement to the Integrated Services Framework Agreement, the Company also revised the annual cap for the revenue to be received by the Group under the Integrated Services Framework Agreement for the year ending 31 December 2016 from RMB36 million to RMB286 million.

As the term of the Integrated Services Framework Agreement as well as the annual caps for the continuing connected transactions thereunder has expired at the end of December 2016, and upon the approval of the 2017 first extraordinary general meeting convened on 9 March 2017, the Company renewed such agreement with BUCG for a further term of three years commencing from 1 January 2017 and ending on 31 December 2019, and set the annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the next three financial years ending 31 December 2019. For details, please refer to the announcement dated 8 December 2016 and circular dated 20 January 2017 of the Company.

Pursuant to the Integrated Service Framework Agreement, either party shall provide services to the other party at a price determined under the following pricing principles:

(a) Price prescribed by the government if available; or

(b) Where there is no government-prescribed price, then the government-guided price (if available) taking into account market factors; or

(c) Where there is neither government-prescribed price nor government-guided price, then the price determined through tender process or other available market price. The "market price" shall be determined in the following order: (1) the price charged by independent third parties who offer the same type of services under normal commercial terms in the ordinary and usual course of business at or near the area where such services are provided with reference to at least two independent third parties who provide the same or similar type of services under same conditions; or (2) where (1) is inapplicable, the price charged by independent third party(ies) who offer the same type of services under normal commercial terms in the ordinary and usual course of business in the PRC with reference to at least two independent third parties who provide the same or similar type of services under same conditions;

(d) Where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the contractual price. The "contractual price" shall be determined on the basis of "reasonable cost + reasonable profit". Among which, the "reasonable cost" means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and "reasonable profit" means the profit calculated based on reasonable costs under market practice; or

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

BUCG is the controlling shareholder of the Company directly and indirectly holding an aggregate of 44.87% interest in the Company. Pursuant to the Chapter 14A of the Hong Kong Listing Rules, BUCG, its subsidiaries and associates are connected persons of the Company and the transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed for renewal constitute continuing connected transactions of the Company.

As at 31 December 2017, (1) in respect of the revenue generated by the provision of services by the Group to BUCG, its subsidiaries, and/or associates, the annual cap in 2017 for such transactions was RMB1,456.00 million, whereas the actual revenue generated was RMB66.00 million; (2) in respect of the expenditure incurred for the provision of services by BUCG, its subsidiaries and/or associates to the Group, the annual cap in 2017 for such transactions was RMB940 million, whereas the actual expenditure incurred was RMB133.00 million.

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

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries and/or associates entered into the Property and Land Leasing Framework Agreement dated 18 June 2014 for a term of ten years, and set the annual caps for the continuing connected transactions contemplated thereunder for the three financial years ended 31 December 2016. At the first extraordinary general meeting in 2017 convened on 9 March 2017, the annual caps for the continuing connected transactions contemplated and approved by the Company under the Property and Land Leasing Framework Agreement for the three financial years ended 31 December 2019 are RMB18 million, RMB18 million and RMB21 million respectively. For details, please refer to the announcement dated 8 December 2016 and the circular dated 19 January 2017.

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

(i) Tower One, Building No. 6, Wu Qu, An Hui Lane, Chaoyang District, Beijing and the corresponding land with a GFA of approximately 4,200 sq.m. for the building and a site area of approximately 5,333 sq.m. for the land at a rental price of approximately RMB0.96 million per year;

(ii) Office Building located at No. 7 Toutiao, Nan Lishi Road, Xicheng District, Beijing and the corresponding land with a GFA of approximately 8,000 sq.m. for the building and a site area of approximately 6,027 sq.m. for the land at a rental price of RMB11.00 million per year; and

(iii) Rooms A606–608, A610–11 and B606–09, 6/F, Chengjian Mansion Office Tower, No. 18 North Taipingzhuang Road, Haidian District, Beijing with a GFA of approximately 1,156 sq.m. at a rental price of approximately RMB1.65 million per year.

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

(a) Both parties shall review and adjust the rentals every three years during the term of the Property and Land Leasing Framework Agreement by reference to prevailing market rate.

(b) Any downward adjustment in rentals for the leased properties may be discussed between the parties at any time during the term of the Property and Land Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism as described above.

(c) The Group shall also be responsible for all utility charges, property management fee (if applicable) and other miscellaneous expenses (including water, electricity, air conditioning, etc., but excluding property tax) incurred in using the leased properties.

(d) The Group shall pay rentals on a yearly or quarterly basis to BUCG, its subsidiaries and/or associates, details of which shall be specified in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.

(e) Payment of the utility charges, property management fee and other miscellaneous expenses shall be paid in accordance with provisions set out in the individual lease agreement entered into between the parties under the Property and Land Leasing Framework Agreement.

Pursuant to the Hong Kong Listing Rules, BUCG is the controlling shareholder of the Company directly and indirectly holding an aggregate of 44.87% interest in the Company. Accordingly, BUCG, its subsidiaries and associates are connected persons of the Company and the transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Property and Land Leasing Framework Agreement constitute continuing connected transactions of the Company.

As at 31 December 2017, in respect of the expenditure incurred for the lease of properties and land by the Group from BUCG, its subsidiaries, and/or associates, the annual cap in 2017 for such transactions was RMB18.00 million, whereas the actual expenditure was RMB15.00 million.

CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER SERVICE AGREEMENTS BETWEEN THE GROUP AND BEIJING INVESTMENT COMPANY

Before 11 July 2017, the Group entered into a series of service agreements ("**Service Agreements**") with Beijing Infrastructure Investment Co., Ltd. ("**Beijing Investment Company**") and its subsidiaries, pursuant to which the Group provided Beijing Investment Company and its subsidiaries with exploration, design and consultancy services. The Service Agreements were executed separately in accordance with individual different construction projects. The pricing of the transactions under Service Agreements is determined with reference to the following principles:

(a) Price prescribed by the government if available (The government-prescribed price refers to the price in respect of certain category of services determined by the central, provincial or local governments, relevant price control authorities or the industry regulators in the PRC as prescribed in the laws, regulations, decisions, orders or charging standards. If any government-prescribed price is available to the relevant transactions, the parties of the agreement will execute such government-prescribed price first. The Company will pay close attention to the updates of government-prescribed prices and determine the price accordingly); or

(b) Where there is no government-prescribed price, then the government-guided price (if available) taking into account market factors (The government-guided price refers to the pricing range or level provided by the central government, provincial government, local government, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the pricing range or level; or

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

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

(d) Where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the contractual price. The "contractual price" shall be determined on the basis of "reasonable cost + reasonable profit". Among which, the "reasonable cost" means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and "reasonable profit" means the profit calculated based on reasonable costs under market practice (The Company will estimate the cost and price of the project with reference to calculation methods stated in relevant charging guidelines promulgated by the government or industry associations. The prices, methods and calculations provided by the industry associations and competent authorities are for reference only and it is not mandatory for the parties to apply such prices, methods and calculations in determining of the contractual price. While in terms of construction consultancy services, the Charging Guidelines of Preliminary Consultancy Services of Urban Rail Transit (《城市軌道交通前期諮詢工作收費指導意見》) issued by China Association of Metros (中國城市軌道交通協會) would be taken as a reference. To ensure the price is fair and reasonable, the Company will take into account certain factors, including the project scale, technical difficulties, labour costs and the pricing of similar type of projects. Normally, the quoted price shall not be below the estimated cost plus reasonable profit).

From 11 July 2017 to 31 December 2017, the actual transaction amount of continuing transactions under Service Agreements was RMB64,405,000. As the highest applicable percentage of the transaction amount is higher than 0.1% but lower than 5%, such continuing connected transactions shall be in compliance with the requirements of the relevant reporting, announcement and annual review under Chapter 14A of the Listing Rules, but could be exempt from the requirements of independent shareholders' approval.

The continuing transactions under Service Agreements were disclosed in accordance with Rule 14A.60(1) of the Listing Rules. For details, please refer to the announcement of the Company dated 13 April 2018.

CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER CONSTRUCTION CONTRACTING AGREEMENTS BETWEEN THE GROUP AND BEIJING INVESTMENT COMPANY

Before 11 July 2017, the Group entered into a series of constructing contracting agreements ("**Construction Contracting Agreements**") with Beijing Investment Company and its subsidiaries, pursuant to which the Group provided Beijing Investment Company and its subsidiaries with construction contracting services. The Construction Contracting Agreements were executed separately in accordance with individual different construction projects. The pricing of the transactions under Construction Contracting Agreements is determined with reference to the following principles:

(a) Price prescribed by the government if available (The government-prescribed price refers to the price in respect of certain category of services determined by the central, provincial or local governments, relevant price control authorities or the industry regulators in the PRC as prescribed in the laws, regulations, decisions, orders or charging standards. If any government-prescribed price is available to the relevant transactions, the parties of the agreement will execute such government-prescribed price first. The Company will pay close attention to the updates of government-prescribed prices and determine the price accordingly); or

(b) Where there is no government-prescribed price, then the government-guided price (if available) taking into account market factors (The government-guided price refers to the pricing range or level provided by the central government, provincial government, local government, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the pricing range or level; or

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

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

(d) Where none of the above is available or where none of the above transaction rules is applicable in the actual transaction, then the contractual price. The "contractual price" shall be determined on the basis of "reasonable cost + reasonable profit". Among which, the "reasonable cost" means the cost confirmed by both parties after negotiations and as permitted by the relevant accounting principles of the PRC (inclusive of sales tax and surcharges); and "reasonable profit" means the profit calculated based on reasonable costs under market practice (The Company will estimate the cost and price of the project with reference to calculation methods stated in relevant charging guidelines promulgated by the government or industry associations. The prices, methods and calculations provided by the industry associations and competent authorities are for reference only and it is not mandatory for the parties to apply such prices, methods and calculations in determining of the contractual price. For example, in terms of engineering construction related services, reference would be made to the Project Cost Information (《工程造價信息》) published by local commissions of housing and urban-rural development regularly, which provides suggested prices of certain types of building materials.

From 11 July 2017 to 31 December 2017, the actual transaction amount of continuing transactions under Construction Contracting Agreements was RMB321,592,000. As the highest applicable percentage of the transaction amount is higher than 5%, such continuing connected transactions shall be in compliance with the requirements of the reporting, announcement, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules, but such continuing connected transactions could be exempt from the requirements of approval from relevant independent shareholders in accordance with the requirements of Rule 14A.60 of the Listing Rules.

The continuing transactions under Construction Contracting Agreements were disclosed in accordance with Rule 14A.60(1) of the Listing Rules. For details, please refer to the announcement of the Company dated 13 April 2018.

MATERIAL RELATED-PARTY TRANSACTIONS

Details of related-party transactions are set out in note 35 to the financial statements, in which certain transactions in such related party transactions also constitute connected transactions as prescribed in Chapter 14A under the Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules, and the aforementioned connected transactions have complied the provisions in Chapter 14A under the Listing Rules.

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

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

(a) Such transactions were entered into in the ordinary and usual course of business of the Group;

(b) Such transactions were on normal commercial terms; and

(c) Such transactions were conducted in accordance with the terms under relevant transaction agreements which were fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

(a) Nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board of Directors;

(b) For transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group;

(c) Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements; and

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

The Company confirms that the execution and performance of the specific agreements under above continuing connected transactions during the year ended 31 December 2017 were in compliance with the pricing principles of such continuing connected transactions.

Non-exempt Connected Transactions

There is no other related party transaction or continuing related party transaction set out in note 35 to the financial statements which constitutes discloseable connected transactions or continuing connected transactions under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions.

PERFORMANCE OF THE NON-COMPETITION AGREEMENT

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

BUCG stated that for the year ended 31 December 2017, it was not in breach of its undertakings under the Non-Competition Agreement. The independent non-executive Directors of the Company also reviewed the compliance of the Non-Competition Agreement by BUCG during the year 2017, and was of the view that BUCG had not breached the requirements of the Non-Competition Agreement.

PUBLIC FLOAT

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

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

AUDITORS

The financial statements for the Year has been audited by Ernst & Young. In the forthcoming 2017 annual general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2018 will be proposed. They were also the auditors of the Company for at the time of listing and public offering. The Company has not changed its auditors over last three years.

MANAGEMENT CONTRACTS

No contracts regarding the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year of 2017.

By order of the Board
Wang Liping
Chairman

Beijing, 29 March 2018

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders,

During the year of 2017, all members of the Board of Supervisors performed their supervisory duties diligently in accordance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited in a stringent manner, strictly abided by the principle of good faith to prudently perform supervision duties and through supervision over meetings and focusing on supervision over financial matters, internal control and compliance, facilitated the efficient operation of the Company's corporate governance and proactively protected the interests of the shareholders, the Company and its employees.

MEETINGS OF THE BOARD OF SUPERVISORS

During the Year, the Board of Supervisors convened four meetings in total, at which the Proposal for the Election of the Chairman of the Board of Supervisors and the Work Report of the Board of Supervisors for the Year 2016 were considered and approved in March 2017; the Review on the Proposal for Core Employee Stock Ownership Scheme (Draft) of Beijing Urban Construction Design & Development Group Co., Limited, and the Proposal for Nomination for the Supervisors of the Second Session of the Board of Supervisors were considered and approved in July 2017 and December 2017, respectively.

WORK OF THE BOARD OF SUPERVISORS

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2017 to monitor the validity and compliance of convening of and proposals and resolutions made during the meetings of the Board and general meetings of the Company, and supervised and reviewed the operation compliance, the major operating activities and the corporate governance structure, financial auditing as well as the performance of Directors and senior management of the Company, and provided suggestions to the Board.

The Board of Supervisors continued to focus on supervision over financial matters, internal control and compliance, supervised and urged the Company to run its business according to laws and regulations, supervised and optimized the corporate governance structure, attended to the key issues that occurred in the changes of the Hong Kong Listing Rules or the Company's operations and management within its scope of responsibility, and gave advices and reasonable suggestions to the management in respect of compliance adjustment, risk control, operation and management strengthening in accordance with directions of the Company relating to sustainable development. The employee representative Supervisors fully expressed employees' requests in the supervision process, and earnestly protected employees' legal rights and interests.

CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS

At the first extraordinary general meeting of shareholders of the Company in 2017 convened on 9 March 2017, Mr. Yuan Guoyue was appointed as a shareholder representative supervisor to fill the vacancy resulting from the resignation of Mr. Yao Guanghong with a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Ms. Zhao Hong was appointed as a shareholder representative supervisor to fill the vacancy resulting from the resignation of Mr. Fu Yanbing with a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. At the meeting of the Board of Supervisors of the Company held on 9 March 2017, Mr. Yuan Guoyue was elected as the chairman of the Board of Supervisors. For details, please refer to the announcement of the Company dated 9 March 2017.

Due to the requirement that Party and political leaders and cadres over 70 years of age should not work part-time in enterprises as set out in the Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》), Mr. Zhang Junming resigned from his position as an independent supervisor, effective from 1 August 2017. For details, please refer to the announcement of the Company dated 1 August 2017.

Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo have been elected as new employee representative supervisors of the Company at the second meeting of the first session of workers congress. Ms. Mi Jianzhou, Mr. Zhang Wei and Mr. Wang Wenjiang have retired as the employee representative supervisors. For details, please refer to the announcement of the Company dated 18 August 2017.

Mr. Wang Jingang has resigned as an employee representative supervisor of the Company due to other business arrangements, effective from 9 October 2017. For the details, please refer to the announcement of the Company dated 9 October 2017.

The terms of office of the members of the first session of the Board of Supervisors of the Company expired on 27 October 2016. The members of the first session of the Board of Supervisors shall continue to perform their duties in accordance with the Company Law prior to the second session of the Board of Supervisors taking office after election.

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

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

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

The reports in the results period are authentic and complete. The reviewed financial statements for the interim period of 2017 and the audited annual financial statements for 2017 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. These financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries. Accounting treatments have been applied consistently, with the first priority given to the satisfaction of new accountant principles. The financial accounts are prepared regularly with clear records and complete information.

The Board of Supervisors firmly believes that the Company will achieve a more rapid development. In 2018, the Board of Supervisors will implement its supervisory duties and suggest operation alongside one another, continue to facilitate the Company's compliance with laws and regulations, enhance and improve the internal control systems in accordance with the relevant provisions of the Company Law and the Articles of Association and based on its work plan for the year. The Board of Supervisors regards maintaining sound and rapid development as its targets, and regards strengthening its supervision and broadening the thinking of work as its methods to constantly improve its performance capabilities, diligently perform all its duties and earnestly safeguard the interests of the Company, its shareholders and employees.

Yuan Guoyue
Chairman of the Board of Supervisors

Beijing, 29 March 2018

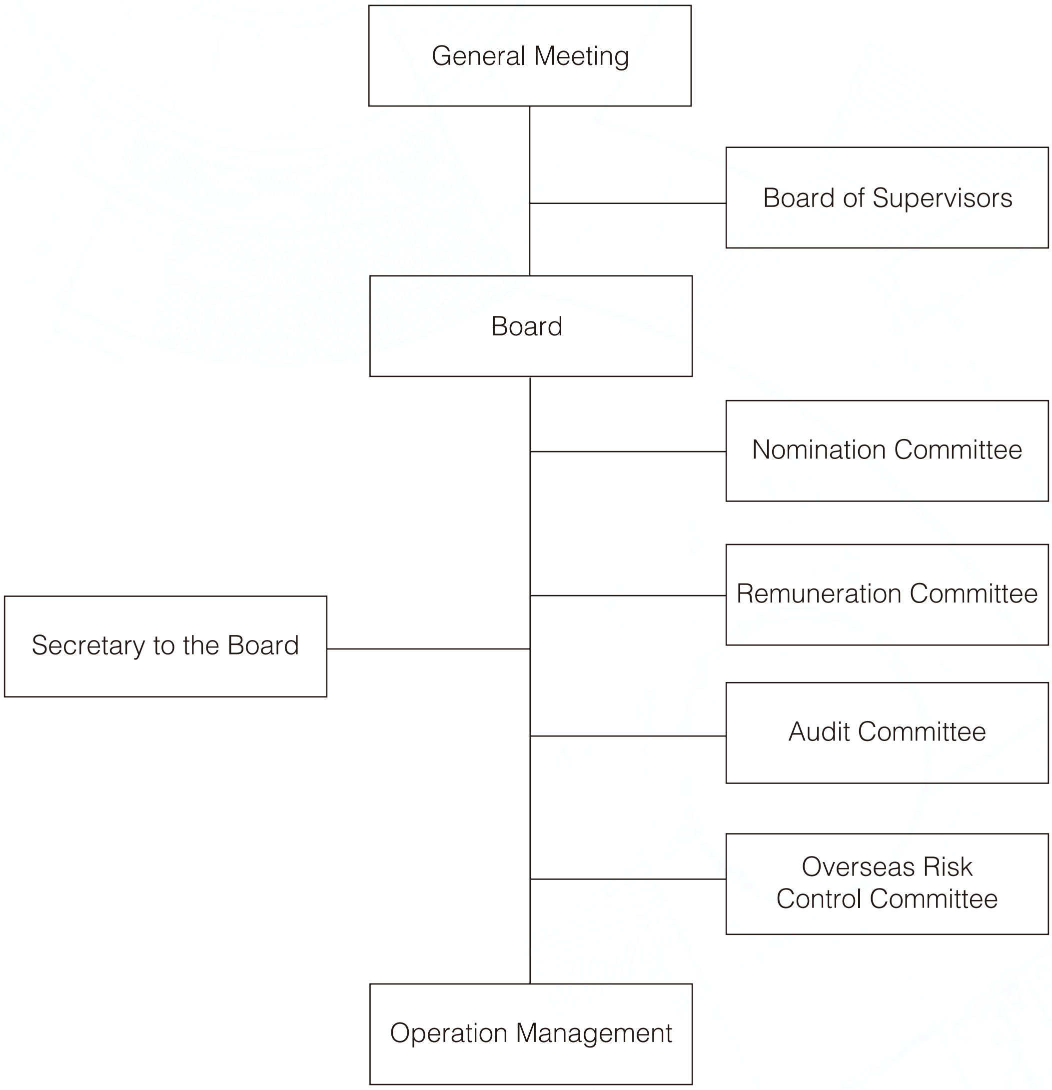
CORPORATE GOVERNANCE REPORT

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

For the year ended 31 December 2017, the Company has been complying with all Code Provisions set out in the Corporate Governance Code as contained in the Appendix 14 of the Listing Rules, and adopting the recommended best practices thereunder where appropriate, save for the deviation from Code Provision E.1 of the Corporate Governance Code as disclosed in “Rights of Shareholders” below.

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

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



THE BOARD

Overview

During the Year, the Board convened three general meetings in total, including one class meeting and submitted 15 proposals to the general meeting. Eight Board meetings were convened, at which 32 resolutions were considered and approved.

During the Year, the Board continued to regulate its operations and enhanced its corporate governance standard in accordance with the applicable principles and code provisions of the Corporate Governance Code, and the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited. The duties and responsibilities of and operating procedures for each committee are clearly defined. Each committee submits opinions and proposals to the Board on matters within their respective scope of duties and responsibilities.

COMPOSITION

The three-year terms of the first session of the Board of the Company has expired on 21 October 2016. All the members of the first session of the Board of the Company will continue to fulfil their respective responsibilities in accordance with the Company Law and the Articles of Association until the members of the second session of the Board take office. Meanwhile, the terms of the specialized committees of the first session of the Board of the Company will be correspondingly extended.

During the Year, the Board comprised the following Directors:

Name	Position	Date of commencement and termination of the current term of office
Mr. Wang Hanjun	Executive Director, General Manager	22 October 2013 to 21 October 2016
Mr. Li Guoqing	Executive Director	22 October 2013 to 21 October 2016
Ms. Wang Liping	Non-executive Director, Chairman	22 October 2013 to 21 October 2016
Ms. Guo Yanhong[Note]	Non-executive Director	28 January 2016 to 21 October 2016
Mr. Chen Daihua	Non-executive Director (resigned on 24 November 2017)	22 October 2013 to 21 October 2016
Mr. Guan Jifa	Non-executive Director	28 January 2016 to 21 October 2016
Mr. Su Bin	Non-executive Director	22 October 2013 to 21 October 2016
Mr. Yan Lianyuan	Non-executive Director	9 March 2017 to the expiry date of the terms of office of the current session of the Board
Mr. Tang Shuchang	Non-executive Director	13 November 2014 to 21 October 2016
Mr. Zhang Fengchao	Independent non-executive Director	16 December 2013 to 21 October 2016
Mr. Wang Dexing	Independent non-executive Director	13 November 2014 to 21 October 2016
Mr. Yim Fung	Independent non-executive Director	16 December 2013 to 21 October 2016
Mr. Sun Maozhu	Independent non-executive Director	16 December 2013 to 21 October 2016
Mr. Liang Qinghuai	Independent non-executive Director	16 December 2013 to 21 October 2016

Note:

Ms. Guo Yanhong resigned as a non-executive director of the Company due to work arrangement with effect from 26 March 2018.

Changes in the Board members during the period from 1 January 2017 to the date of this report are as follows:

Mr. Kong Lingbin tendered his resignation as a non-executive Director of the Company on 17 January 2017 due to change of job assignment, with effect from 9 March 2017.

At the 2017 first extraordinary general meeting convened on 9 March 2017, Mr. Yan Lianyuan was appointed as a non-executive Director so as to fill the vacancy resulting from the resignation of Mr. Kong Lingbin, for a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board.

Due to the requirement that Party and political leaders and cadres over 70 years of age should not work parttime in enterprises as set out in the Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》), Mr. Zhang Fengchao tendered his resignation from his positions as an independent non-executive Director of the Company and the chairman of the Nomination Committee under the Board, with effect from the date of a new independent non-executive Director being elected at the shareholders' general meeting of the Company. For details, please refer to the announcement of the Company dated 13 March 2017.

Mr. Chen Daihua tendered his resignation from his position as a non-executive director pursuant to relevant requirements of superior authorities in relation to the standardization of the reduction of multiple positions of leaders, with effect from 24 November 2017. For details, please refer to the announcement of the Company dated 24 November 2017.

Ms. Guo Yanhong resigned as a non-executive director of the Company due to work arrangement with effect from 26 March 2018. For details, please refer to the announcement of the Company dated 26 March 2018.

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

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

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

DUTIES AND RESPONSIBILITIES:

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

RESPONSIBILITIES OF THE MANAGEMENT

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

CHAIRMAN AND GENERAL MANAGER

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

DIRECTORS TRAINING

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

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

Director	Corporate governance	Laws and regulations	Business management
Executive Directors			
Mr. Wang Hanjun	✔	✔	✔
Mr. Li Guoqing	✔	✔	✔
Non-executive Directors			
Ms. Wang Liping	✔	✔	✔
Ms. Guo Yanhong[Note]	✔	✔	✔
Mr. Chen Daihua (resigned on 24 November 2017)	✔	✔	✔
Mr. Guan Jifa	✔	✔	✔
Mr. Su Bin	✔	✔	✔
Mr. Yan Lianyuan	✔	✔	✔
Mr. Tang Shuchang	✔	✔	✔
Independent non-executive Directors			
Mr. Zhang Fengchao	✔	✔	✔
Mr. Wang Dexing	✔	✔	✔
Mr. Yin Fung	✔	✔	✔
Mr. Sun Maozhu	✔	✔	✔
Mr. Liang Qinghuai	✔	✔	✔

Note:

Ms. Guo Yanhong resigned as a non-executive director of the Company due to work arrangement with effect from 26 March 2018

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened three general meetings and submitted 15 proposals to the general meeting. Eight Board meetings were convened in total, at which 32 proposals were considered and approved. The attendance record of the Board meetings of each Director is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Wang Hanjun	7	7	0
Mr. Li Guoqing	7	7	0
Ms. Wang Liping	8	8	0
Ms. Guo Yanhong[Note]	8	6	2
Mr. Chen Daihua (resigned on 24 November 2017)	8	6	2
Mr. Guan Jifa	8	6	2
Mr. Su Bin	8	7	1
Mr. Yan Lianyuan	8	8	0
Mr. Tang Shuchang	8	7	1
Mr. Zhang Fengchao	8	8	0
Mr. Wang Dexing	8	8	0
Mr. Yin Fung	8	7	1
Mr. Sun Maozhu	8	6	2
Mr. Liang Qinghuai	8	8	0

Note:

Ms. Guo Yanhong resigned as a non-executive director of the Company due to work arrangement with effect from 26 March 2018

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

- the convening of three general meetings and submission of 14 proposals to the general meeting including the renewals of continuing connected transactions, the audited consolidated financial statements for 2016 and its summary, the Report of the Board of Directors for 2016, the report of final financial accounts for 2016, the investment plans for 2017, the profits distribution plan and the dividend declaration proposal for 2016, the reappointment of auditors, granting the Board a general mandate to issue additional H Shares, proposed implementation of core employee stock ownership scheme, proposed non-public issuance of domestic shares and proposed connected subscriptions, all of which were approved at the general meeting;

- the convening of eight Board meetings and consideration and approval of 32 proposals including the profits distribution plan and the dividend declaration proposal for 2016, the completion of investments in 2016 and the investment plan for 2017, the interim results announcement and interim report of the Company for 2017, and the establishment of a project company and project department for Kunming Rail Transit Line 4 PPP Project, and the establishment of a project company and project department for Beijing Shunyi District Modern T2 Trolley Bus PPP Project.

NOMINATION COMMITTEE

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

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

During the Year, the Nomination Committee held one meeting in total to consider and approve the proposals of nominating directors candidates of the second session of the Board. The attendance record of the meetings of the members of the Nomination Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Fengchao	Chairman of the Nomination Committee Independent non-executive Director	1	1	0
Ms. Wang Liping	Non-executive Director	1	1	0
Mr. Liang Qinghuai	Independent non-executive Directors	1	1	0

REMUNERATION COMMITTEE

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

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

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

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Yim Fung	Chairman of the Remuneration Committee Independent non-executive Directors	1	1	0
Mr. Su Bin	Non-executive Directors	1	1	0
Mr. Sun Maozhu	Independent non-executive Directors	1	1	0

AUDIT COMMITTEE

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

The Terms of Reference of the Audit Committee has been updated during the Reporting Period to meet the latest requirements of code provisions, and was published on the websites of the Company and Hong Kong Stock Exchange on 24 March 2016.

During the Year, the Audit Committee held two meetings in total to consider and pass the proposals in respect of the result of review on 2016 annual report, independence of external auditors, efficiency of internal control system, the result of review on 2017 interim report and the review on the audit plan for 2017. The attendance record of the meetings of the members of the Audit Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Sun Maozhu	Chairman of the Audit Committee Independent non-executive Director	2	2	0
Mr. Liang Qinghuai	Independent non-executive Director	2	1	1
Mr. Guan Jifa (appointed on 28 January 2016)	Non-executive Director	2	1	1

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2017.

EXTERNAL AUDITORS

In 2017, the Company should pay RMB3.38 million to external auditors in relation to auditing services, which included the payments on auditing the annual financial report of 2017 and reviewing the interim financial report of 2017. Other non-audit services provided by the external auditors to the Company include tax consulting services. The remuneration paid by the Company in respect of such non-audit services amounted to RMB56,000 in total.

OVERSEAS RISK CONTROL COMMITTEE

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

As the Company has few overseas operations, and all three committee members conduct interaction and communication by informal meetings regularly. In 2017, the Overseas Risk Control Committee held two meetings to consider the development of the Company's overseas operations. The attendance record of the meetings of the members of the Overseas Risk Control Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Ms. Wang Liping	Chairman of the Overseas Risk Control Committee Non-executive Director	2	2	0
Mr. Wang Hanjun	Executive Director	2	2	0
Mr. Li Guoqing	Executive Director	2	2	0

INTERESTS HELD BY THE DIRECTORS AND SECURITIES TRANSACTIONS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible for monitoring the preparation of the financial statements for every financial year and ensuring those financial statements provide a true and fair view on the business conditions, operating results and cash flows of the Group in the relevant period. In preparing the financial statements as at 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently, adopted all relevant standards in compliance with the International Financial Reporting Standards, and made a prudent and reasonable judgment and estimation and prepared the financial statements on a going concern basis.

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

Risk Management and Internal Control

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

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

The Main Features of the Risk Management and Internal Control Systems

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

The Company strives to develop a comprehensive internal control system on the basis of "Basic Standard for Enterprise Internal Control" and its supplementary guidelines with a focus on management and business processes covering five basic elements such as the internal environment, risk assessment, control activities, information and communication and internal supervision.

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

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

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

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

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

Internal Audit Function

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

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

The Company strives to develop a comprehensive internal control system on the basis of "Basic Standard for Enterprise Internal Control" and its supplementary guidelines with a focus on management and business processes covering five basic elements such as the internal environment, risk assessment, control activities, information and communication and internal supervision. The Company adopts the following specific procedures to identify, evaluate and manage significant risks, and review the effectiveness of risk management and internal control systems, as well as resolve material internal control defects.

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

Procedures of Addressing the Material Deficiencies in the Internal Control System

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

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

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

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

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

Board of Supervisors

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

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

The first session of the Board of Supervisors of the Company has expired on 21 October 2016. All the members of the first session of the Board of Supervisors of the Company will continue to fulfil their respective responsibilities in accordance with the Company Law before the members of the second session of the Board of Supervisors of the Company take office.

During the period from 1 January 2017 to the date of this report, the changes of the members of the Board of Supervisors are as follows:

At the 2017 first extraordinary general meeting convened on 9 March 2017, Mr. Yuan Guoyue was appointed as a shareholder representative supervisor to fill the vacancy resulting from the resignation of Mr. Yao Guanghong with a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Ms. Zhao Hong was appointed as a shareholder representative supervisor to fill the vacancy resulting from the resignation of Mr. Fu Yanbing with a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. At the meeting of the Board of Supervisors of the Company held on 9 March 2017, Mr. Yuan Guoyue was elected as the chairman of the Board of Supervisors. For details, please refer to the announcement of the Company dated 9 March 2017.

Due to the requirement that Party and political leaders and cadres over 70 years of age should not work part-time in enterprises as set out in the Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises (《關於進一步規範黨政領導幹部在企業兼職(任職)問題的意見》), Mr. Zhang Junming resigned from his position as an independent supervisor, effective from 1 August 2017. For details, please refer to the announcement of the Company dated 1 August 2017.

Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo have been elected as new employee representative supervisors of the Company at the second meeting of the first session of workers congress. Ms. Mi Jianzhou, Mr. Zhang Wei and Mr. Wang Wenjiang have retired as the employee representative supervisors. For details, please refer to the announcement of the Company dated 18 August 2017.

Mr. Wang Jingang has resigned as an employee representative supervisor of the Company due to other business arrangements, effective from 9 October 2017. For the details, please refer to the announcement of the Company dated 9 October 2017.

Directors' Responsibility for the Financial Statements

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

Independence of Independent Non-executive Directors

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

Company Secretaries

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

General Meeting

The general meeting is the supreme authority of the Company. It performs its functions according to law and makes decisions on major issues in relation to the Company. The annual general meetings or extraordinary general meetings provide a channel for the shareholders of the Company to communicate directly with the Board. In 2017, the Company convened two extraordinary general meetings, one H share class general meeting and one annual general meeting in total, at which 14 proposals were considered and approved. All the Directors, Supervisors and senior management personnel shall, as far as practicable, attend the general meeting of the Company. The following is the attendance record of the general meeting of the Directors:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Wang Hanjun	4	0
Mr. Li Guoqing	4	3
Mr. Wang Liping	4	4
Ms. Guo Yanhong[Note]	4	0
Mr. Chen Daihua (resigned on 24 November 2017)	4	0
Mr. Guan Jifa	4	0
Mr. Su Bin	4	2
Mr. Yan Lianyuan	4	2
Mr. Tang Shuchang	4	4
Mr. Zhang Fengchao	4	3
Mr. Wang Dexing	4	4
Mr. Yim Fung	4	4
Mr. Sun Maozhu	4	2
Mr. Liang Qinghuai	4	2

Note:

Ms. Guo Yanhong resigned as a non-executive director of the Company due to work arrangement with effect from 26 March 2018

Mr. Wang Hanjun, Ms. Guo Yanhong, Mr. Chen Daihua, Mr. Guan Jifa were not able to attend the general meetings held during the Year due to important business arrangement.

RIGHTS OF SHAREHOLDERS

Methods of Convening Extraordinary General Meetings

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

According to the Code Provision E.1.3 of the Corporate Governance Code, the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings. The Company published the notice of the 2017 second extraordinary general meeting on 12 November 2017. However, when the Company decided to postpone the meeting with an attempt to solve the problem of changes, the e-Submission System of the Stock Exchange had been closed due to Hong Kong public holidays, causing the Company failed to publish such postponement announcement through HKEXnews website. The Company released the notice relating to the postponement of the meeting on the Company's website at the night of 25 December 2017, but it still violated the requirement under Code Provision E.1 of the Corporate Governance Code. The Company has been aware of the arrangement of the meeting and its improper postponement of the meeting, and has taken various measures to strengthen and enhance corporate governance. For details, please refer to the announcement published on the website of Hong Kong Stock Exchange on 12 January 2018.

Procedures for Proposing Extraordinary Proposals at General Meetings

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

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

Address:	12A, Block D, Hengtai Center, No. 18 Fengtai North Road, Fengtai District, Beijing, the PRC
Postal Code:	100071
Telephone:	86-10-88336868
Facsimile:	86-10-88336763
E-mail Address:	ir@bjucd.com

Information Disclosure and Investor Relations

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

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

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. The Company timely communicated its operating results and business development trends with investors after the announcements of the 2016 annual results and 2017 interim results by way of results briefings and roadshows in order to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, holding telephone conferences, attending major investment forums, by telephone and email, etc. and proactively provides investor relations information on the Company's website, with a view to establish and maintain a good relationship with investors.

Articles of Association

The latest version of the Articles of Association is set out on the websites of the Company and the Hong Kong Stock Exchange. During the Reporting Period, the Articles of Association were not amended.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company actively commits itself to building the urban public transport network, advocates the tenet of green commuting, lowers emissions of urban greenhouse gas while striving for its sustainable development, in order to mitigate the pressure caused by climate changes to social progress in a modern and convenient manner. The Company strictly adheres to the national environmental laws and regulations with respect to different business sectors, such as design, engineering, exploration of rail transit. In the course of engineering construction, the Company adopts various control measures on dust and noise and properly disposes construction waste to protect the ecological environment. It also takes measures to reduce consumption of energy and water resources to make the construction become green, civilized and safe.

Meanwhile, the Company also actively fulfills its corporate responsibility in many aspects including employment and labor practices, operational practices and community contribution. For example, the Company endures efforts to build a development platform for employees and perfects the compensation and welfare system which provide opportunities for them to realise greater value. The Company is in concord with communities and carries out targeted charity activities by understanding the needs from disadvantaged groups within such communities.

Besides, to realise the harmonious and unified development of all parties, the Company attaches great importance to communications with stakeholders and maintains close communication with parties such as shareholders, governments, customers, employees, suppliers and communities in the course of operation to positively respond to their demands.

For more information about the Company's environmental, social and governance performance in the Year, please refer to our upcoming independent Social, Environmental and Governance Report which will be available for viewing and downloading on our website upon publication.

EY 安永

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To the shareholders of Beijing Urban Construction Design & Development Group Co., Limited
(Incorporated in the People's Republic of China as a joint stock limited company with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Urban Construction Design & Development Group Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 121 to 252, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on contracts for services and construction contracts	
The Group derived most of its revenues from contracts for services and construction contracts that were accounted for by applying the percentage-of-completion ("POC") method. The POC method involved the use of significant management judgement and estimates including estimates of the progress towards completion, the scope of deliveries and services required, total contract costs, remaining costs to completion, total contract revenues and contract risks. In addition, revenue, cost and gross profit realised on such contracts could vary (sometimes significantly) from the Group's original estimates because of changes in conditions. More details are set out in note 2.4 revenue recognition, note 3 significant accounting judgements and estimates – percentage of completion of construction and service works and estimation of total budgeted costs and costs to completion for construction contracting and contracts for services and note 5 revenue, other income and gains to the consolidated financial statements.	We obtained an understanding of, assessed and tested the relevant internal controls over revenue recognition of the Group. We obtained all material contracts for services and construction contracts, reviewed the key contract terms and reconciled the total contract revenues. We reviewed the methods and assumptions adopted by management in determining the total budgeted costs. We checked the relevant supporting documents for actual costs on a sample basis. We performed cut-off testing procedures to check whether material costs had been recognised in the appropriate accounting periods. We checked if there was any contract of which the estimated contract costs exceeded the estimated contract revenue of construction projects and for which the provision was recognised. We tested the calculation of the POC and revenues recognised under the POC method of material contracts. We performed analytical review procedures for the gross margin of material contracts. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables As at 31 December 2017, the trade receivables of the Group amounted to RMB2,318 million which represented 16% of its total assets. The calculation of impairment allowance of trade receivables was based on the management assessment of the financial position of the customers, the guarantees for receivables, the ageing of receivables, the credit rating of the customers and the historical repayment records. Impairment test involved the use of significant management judgment and estimates after taking into account the credit risks of the customers, recent historical payment patterns and so on. More details are set out in note 2.4 impairment of financial assets, note 3 significant accounting judgements and estimates – Impairment of trade receivables and note 22 trade and bills receivables to the consolidated financial statements.	We assessed the adequacy and appropriateness of the impairment allowance of trade receivables by obtaining an understanding of, assessing and testing the relevant internal controls over impairment of trade receivables of the Group, and assessing the appropriateness of the accounting policy for impairment of trade receivables (including the impairment allowance rates). For impairment allowance determined on individual assessment basis, we assessed the adequacy of impairment allowance determined by management, by reviewing the subsequent receipts after the reporting period, and evaluating whether the respective debtors have been experiencing significant financial difficulty, default or delinquency in interest or principal payments. For impairment allowance determined on collective assessment basis, we tested the accuracy of the ageing of trade receivable balances by tracing details of ledger accounts and delivery evidence. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 Yim Chi Hung Henry.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	6,972,545	5,090,073
Cost of sales	7	(5,629,327)	(3,987,039)
Gross profit		1,343,218	1,103,034
Other income and gains	5	271,064	171,694
Selling and distribution expenses		(96,636)	(73,633)
Administrative expenses		(610,998)	(529,830)
Other expenses		(158,732)	(47,061)
Finance costs	6	(141,244)	(59,033)
Share of profits and losses of:			
Joint ventures		(1,659)	(976)
Associates		3,742	2,771
PROFIT BEFORE TAX	7	608,755	566,966
Income tax expense	9	(96,746)	(88,284)
PROFIT FOR THE YEAR		512,009	478,682
Profit attributable to:			
Owners of the parent		495,919	471,950
Non-controlling interests		16,090	6,732
		512,009	478,682
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(loss) on defined benefit plans, net of tax	28	(4,880)	3,370
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available for sale investments, net of tax		1,252	–
Exchange differences on translation of foreign operations		195	(54)

	Notes	2017 RMB'000	2016 RMB'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(3,433)	3,316
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		508,576	481,998
Total comprehensive income attributable to:			
Owners of the parent		492,486	475,266
Non-controlling interests		16,090	6,732
		508,576	481,998
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	11	0.39	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	435,912	356,005
Prepaid land lease payments	13	226,310	31,936
Intangible assets	14	6,185	8,158
Investments in joint ventures	15	38,445	40,105
Investments in associates	16	103,192	15,037
Available-for-sale investments	17	19,902	18,650
Deferred tax assets	18	105,541	81,320
Financial receivables	19	3,641,891	2,223,132
Trade receivables	22	33,421	14,405
Prepayments, deposits and other receivables	23	371,702	505,308
Total non-current assets		4,982,501	3,294,056
CURRENT ASSETS			
Prepaid land lease payments	13	5,163	710
Inventories	20	79,616	67,075
Trade and bills receivables	22	2,357,225	1,850,625
Prepayments, deposits and other receivables	23	1,363,596	767,326
Amounts due from contract customers	21	1,941,949	2,392,085
Financial receivables	19	208,730	9,985
Pledged deposits	24	21,177	55,404
Cash and bank balances	24	3,381,887	2,565,852
Total current assets		9,359,343	7,709,062
CURRENT LIABILITIES			
Trade payables	25	2,677,859	2,004,916
Amounts due to contract customers	21	1,531,631	1,651,245
Other payables, advances from customers and accruals	26	2,221,156	1,813,869
Interest-bearing bank and other borrowings	27	230,000	80,000
Provisions for supplementary retirement benefits	28	3,650	3,160
Tax payable		57,616	60,816
Total current liabilities		6,721,912	5,614,006
NET CURRENT ASSETS		2,637,431	2,095,056
TOTAL ASSETS LESS CURRENT LIABILITIES		7,619,932	5,389,112

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	3,073	1,077
Interest-bearing bank and other borrowings	27	3,077,432	1,798,400
Provisions for supplementary retirement benefits	28	58,530	50,460
Other payables and accruals	26	297,579	21,703
Total non-current liabilities		3,436,614	1,871,640
Net assets		4,183,318	3,517,472
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	1,348,670	1,272,670
Reserves	30	2,571,906	2,021,498
		3,920,576	3,294,168
Non-controlling interests		262,742	223,304
Total equity		4,183,318	3,517,472

Wang Hanjun
Director

Li Guoqing
Director

	Attributable to owners of the parent								
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	1,272,670	562,506	–	159,384	32	1,299,576	3,294,168	223,304	3,517,472
Profit for the year	–	–	–	–	–	495,919	495,919	16,090	512,009
Other comprehensive income/(loss) for the year:									
Re-measurement loss on defined benefit plans, net of tax	–	(4,880)	–	–	–	–	(4,880)	–	(4,880)
Changes in fair value of available-for-sale investments, net of tax	–	1,252	–	–	–	–	1,252	–	1,252
Exchange differences on translation of foreign operations	–	–	–	–	195	–	195	–	195
Total comprehensive income/(loss) for the year	–	(3,628)	–	–	195	495,919	492,486	16,090	508,576
Employee stock ownership scheme	76,000	184,680	–	–	–	–	260,680	–	260,680
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	28,421	28,421
Capital withdrawal from non-controlling shareholders	–	–	–	–	–	–	–	(4,500)	(4,500)
Final 2016 dividend declared	–	–	–	–	–	(126,758)	(126,758)	–	(126,758)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	(573)	(573)
Appropriation to statutory surplus reserve	–	–	–	36,408	–	(36,408)	–	–	–
Transfer to special reserve (note (i))	–	–	70,482	–	–	(70,482)	–	–	–
Utilisation of special reserve (note (i))	–	–	(70,482)	–	–	70,482	–	–	–
At 31 December 2017	1,348,670	743,558*	–*	195,792*	227*	1,632,329*	3,920,576	262,742	4,183,318

	Attributable to owners of the parent								
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	1,272,670	559,136	–	120,627	86	972,905	2,925,424	88,314	3,013,738
Profit for the year	–	–	–	–	–	471,950	471,950	6,732	478,682
Other comprehensive income/(loss) for the year:									
Re-measurement gains on defined benefit plans, net of tax	–	3,370	–	–	–	–	3,370	–	3,370
Exchange differences on translation of foreign operations	–	–	–	–	(54)	–	(54)	–	(54)
Total comprehensive income/(loss) for the year	–	3,370	–	–	(54)	471,950	475,266	6,732	481,998
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	128,698	128,698
Final 2015 dividend declared	–	–	–	–	–	(106,522)	(106,522)	–	(106,522)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	(440)	(440)
Appropriation to statutory surplus reserve	–	–	–	38,757	–	(38,757)	–	–	–
Transfer to special reserve (note (i))	–	–	56,345	–	–	(56,345)	–	–	–
Utilisation of special reserve (note (i))	–	–	(56,345)	–	–	56,345	–	–	–
At 31 December 2016	1,272,670	562,506*	–*	159,384*	32*	1,299,576*	3,294,168	223,304	3,517,472

* The reserve accounts comprise the consolidated reserves of RMB2,571,906,000 (31 December 2016: RMB2,021,498,000) in the consolidated statement of financial position as at 31 December 2017.

Note:

(i) In preparation of these consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2016 and 2017 respectively, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		608,755	566,966
Adjustments for:			
Finance costs	6	141,244	59,033
Foreign exchange differences, net	7	12,818	(15,183)
Interest income	5	(265,935)	(143,571)
Share of profits of associates and joint ventures		(2,083)	(1,795)
Gains on disposal of available-for-sale investments	7	(1,975)	(6,961)
Depreciation of items of property, plant and equipment	7	37,264	44,984
Amortisation of intangible assets	7	3,134	2,578
Amortisation of prepaid land lease payments	7	4,053	710
Impairment of trade receivables, net	7	78,457	40,725
Impairment of deposits and other receivables, net	7	4,695	2,307
Impairment of amounts due from contract customers, net	7	23,572	–
Provision for foreseeable losses on contracts, net	7	39,098	3,823
Loss on disposal of items of property, plant and equipment, net	7	92	205
		683,189	553,821
Increase in inventories		(12,541)	(17,976)
Changes in amounts due from/to contract customers		267,852	(48,909)
Increase in trade and bills receivables		(581,444)	(320,027)
Decrease/(increase) in prepayments, deposits and other receivables		193,517	(445,080)
Increase in financial receivables		(1,617,504)	(1,647,551)
Increase in trade payables		669,331	443,597
Increase in other payables, advances from customers and accruals		695,601	410,469
Increase in provisions for supplementary retirement benefits		3,680	2,140

	Notes	2017 RMB'000	2016 RMB'000
Cash flows from operations		301,681	(1,069,516)
Interest received		54,279	18,798
Income tax paid		(122,170)	(93,141)
Net cash flows from/(used in) operating activities		233,790	(1,143,859)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment		(120,754)	(36,668)
Payments for acquisition of intangible assets	14	(1,161)	(2,627)
Payments for acquisition of prepaid land lease payments	13	(202,880)	–
Purchase of available-for-sale investments		(577,000)	(2,350,000)
Addition of investments in associates		(85,000)	–
Addition of an investment in a joint venture		–	(40,000)
Proceeds from disposal of items of property, plant and equipment		934	921
Proceeds from disposal of available-for-sale investments		578,976	2,456,961
Dividends received from associates and joint ventures		588	505
Borrowings to a joint venture and associates		(483,000)	–
Decrease in non-pledged time deposits with original maturity of more than three months		–	84,778
Increase in pledged deposits		34,227	(5,071)
Net cash flows (used in)/from investing activities		(855,070)	108,799

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the employee stock ownership scheme		260,680	–
Interest paid		(136,364)	(47,693)
Dividends paid to shareholders		(126,758)	(106,522)
Dividends paid to non-controlling shareholders		(573)	(440)
Capital contribution from non-controlling shareholders		28,421	128,698
Capital withdrawal from non-controlling shareholders		(4,500)	–
New bank and other borrowings		1,509,032	1,468,400
Repayment of bank and other borrowings		(80,000)	–
Net cash flows from financing activities		1,449,938	1,442,443
NET INCREASE IN CASH AND CASH EQUIVALENTS		828,658	407,383
Cash and cash equivalents at beginning of year		2,565,652	2,143,141
Effect of exchange rate changes on cash and cash equivalents		(12,623)	15,128
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	3,381,687	2,565,652

1. CORPORATE AND GROUP INFORMATION

Beijing Urban Construction Design & Development Group Co., Limited (the "Company") began its operations in 1958 in the PRC as a state-owned professional survey and design institute founded specifically for the survey and design of Beijing Subway Line 1. Subsequent to a series of reorganisations, the Company was then converted into a joint stock company with limited liability and renamed as Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) on 28 October 2013.

The Company's H shares were issued and listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") in July 2014.

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

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

– Design, survey and consultancy services for urban rail transit and urban rail transit related industrial and civil construction and municipal engineering projects
– Construction contracting services for urban rail transit and the service concession arrangements under the BOT arrangements

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. ("北京城建勘測設計研究院有限責任公司")		The PRC/Mainland China 3 May 1992	RMB30,000,000	100%	–	Surveying, designing and engineering exploration
Beijing Huan'an Engineering Inspection Co., Ltd. ("北京環安工程檢測有限責任公司")		The PRC/Mainland China 18 June 2008	RMB12,000,000	100%	–	Engineering consulting, monitoring and testing
China Metro Engineering Consulting Co., Ltd. ("中國地鐵工程諮詢有限責任公司")		The PRC/Mainland China 27 October 2006	RMB13,340,000	56.22%	–	Rail transit engineering consulting
Beijing Urban Construction Xingjie Property Management Co., Ltd. ("北京城建興捷物業管理有限公司")		The PRC/Mainland China 21 November 2011	RMB500,000	100%	–	Property management
Beijing Urban Construction Xinjie Consulting Co., Ltd. ("北京城建信捷軌道交通工程諮詢有限公司")		The PRC/Mainland China 2 January 2004	RMB3,000,000	60%	40%	Rail transit engineering consulting
Beijing Urban Construction Zhikong Technology Co., Ltd. ("北京城建智控科技有限公司")		The PRC/Mainland China 10 October 2014	RMB30,000,000	60%	–	Technical consulting and technical service

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction Design (Hong Kong) Co., Ltd. ("北京城建設計(香港)有限公司")		The PRC/Hong Kong 5 January 2015	HKD3,000,000	100%	–	Advisory services
Anhui Jingjian Capital Construction Investment Co., Ltd. ("安徽京建投資建設有限公司")		The PRC/Mainland China 12 May 2015	RMB500,000,000	88%	–	Construction project investment, construction and operation maintenance
Ningbo Zhongchengyun Modern Transportation Operation Corp. Ltd. ("寧波中城運現代交通運營股份有限公司")		The PRC/Mainland China 26 May 2015	RMB5,500,000	100%	–	Urban public transportation operation, maintenance, management, and services
Beijing Urban Rail Transit Construction Engineering Co., Ltd. ("北京城建軌道交通建設工程有限公司")		The PRC/Mainland China 21 September 2015	RMB300,000,000	100%	–	Construction contracting

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction Design Research Institute Co., Ltd. ("北京城建設計研究院有限公司")		The PRC/Mainland China 18 July 2016	RMB30,000,000	100%	–	Construction design
Beijing Jingjian Shuncheng Construction Investment Co., Ltd. ("Beijing Jingjian") ("北京京建順城建設投資有限公司")	(i)	The PRC/Mainland China 8 August 2017	RMB700,000,000	70%	–	Project investment and railway operation management

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

Note:

(i) On 8 August 2017, Beijing Jingjian was established by the Company, Beijing Mass Transit Railway Operation Co., Ltd. ("北京市地鐵運營有限公司"), Beijing City Metro Co., Ltd. ("北京京城地鐵有限公司") and Beijing Shunyi Metro Development Co., Ltd. ("北京順義新城發展有限公司"). The Company directly owned a 70% equity interest in the entity.

All the subsidiaries are limited liability companies.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 include in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 31 to the financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilize a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits an explain the circumstances in which taxable profit may include the recovery of some assets for more than their carry amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no interests in a subsidiary, a joint venture or an associate or a portion of its interest in a joint venture or an associate that is classified as a disposal group held for sale as at 31 December 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 28	*Long-term interests in associates and joint ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]
Amendments to IAS 19	*Employee Benefits*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

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

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of adoption of IFRS 9. The expected impacts relate to the classification and measurement and impairment requirements and summarised as follow:

(a) Classification and measurement

Upon initial adoption of IFRS 9, the Group will designate investments currently held as available for sale to be financial assets measured at fair value through other comprehensive income or through profit or loss at initial recognition. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. The Group does not expect that the designation will have a significant impact on its financial statement.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or fair value through other comprehensive income, lease receivable, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivable within the next twelve months. The Group has determined that, due to the unsecured nature of its trade and other receivables, the provision for impairment is insignificant upon the adoption of the standard.

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

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

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

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

The Group's principal activities consist of design, survey and consultancy services and construction contracting services. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group.

(b) Revenue from fixed price construction contracting is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group.

Therefore, the Group expects that the impact of adoption of IFRS 15 will not be material either on 1 January 2018 or from 2018 towards, except for the presentation and disclosure requirements further explained below.

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 33 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB117,872,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to IAS 28 issued in October 2017 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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

Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016, sets out amendments to IFRS 1, IFRS 12 and IAS 28. Except for the amendments to IFRS 12 which have been adopted by the Group for the current year's financial statements, the Group expects to adopt the amendments from 1 January 2018. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments to IFRS 1 and IAS 28 are as follows:

IFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*: Deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable.

IAS 28 *Investments in Associates and Joint Ventures*: Clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively.

Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017, sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

IFRS 3 *Business Combinations*: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

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

IFRS 11 *Joint Arrangements*: Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

IAS 12 *Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

IAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Categories	Annual rates
Buildings	2.4%
Machinery	6.5%–9.7%
Production equipment	6.5%
Motor vehicles	9.5%–19.4%
Measurement and experimental equipment	9.5%–19.4%
Office equipment and others	9.5%–19.4%
Leasehold improvements	12.5%–33.3%

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

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

Intangible assets (other than goodwill)

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

Office software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Research and development costs

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

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Service concession arrangements

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

Consideration given by the Grantors

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (Continued)

Construction or upgrade services

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

Operating services

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less that its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) from the rendering of operation service of the urban road, when the service is provided;

(d) rental income, on a time proportion basis over the lease terms;

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

(f) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracting is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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

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

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

Employee benefits

Retirement benefits

(a) *Social pension plans*

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

(b) *Annuity plan*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Retirement benefits (Continued)

(c) *Supplementary retirement benefits*

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Retirement benefits (Continued)

(c) *Supplementary retirement benefits* (Continued)

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

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

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

Termination benefits

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

Housing fund and other social insurances

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Accounting for service concession arrangements

The Group engages in certain service concession arrangements in which the Group carries out construction work of the urban road for the Grantor and receives in return a right to operate the urban road concerned in accordance with the pre-established conditions set by the Grantor. In accordance with IFRIC 12 Service Concession Arrangements, The urban road under the service concession arrangement is classified as financial assets, as the service concession arrangement is covered by a payment commitment from the Grantor. The Group recognises a financial receivable as it has an unconditional contractual right under the service concession arrangement to receive a determinable amount of payments during the concession period irrespective of the usage of the urban road.

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

Revenue from the construction service under the terms of service concession arrangement is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of agreement applicable to similar construction services rendered in similar locations, and is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Percentage of completion of construction and service works

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

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

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

Current income tax and deferred income tax

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Deferred tax assets

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

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

4. OPERATING SEGMENT INFORMATION

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

(a) Design, survey and consultancy – this segment engages in the provision of services on designing, surveying and mapping, monitoring and consulting services in the engineering of urban rail transit, municipal management and construction; and

(b) Construction contracting – this segment engages in the provision of services relating to urban rail transit and the service concession arrangements under the BOT arrangements.

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

Segment assets exclude deferred tax assets, unallocated cash and bank balances, unallocated pledged deposits and financial products included in available-for-sale investments as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	2,976,736	3,995,809	–	6,972,545
Intersegment sales	26,776	–	(26,776)	–
Total revenue	3,003,512	3,995,809	(26,776)	6,972,545
Segment results	379,862	112,605	(10,378)	482,089
Interest income	5,968	250,591	–	256,559
Finance costs	–	(141,244)	–	(141,244)
Gains on disposal of available-for-sale investments	1,420	555	–	1,975
Profit of segments for the year	387,250	222,507	(10,378)	599,379
Income tax expense				(96,746)
Unallocated interest income				9,376
Profit for the year				512,009
Segment assets	4,556,408	8,555,841	(552,674)	12,559,575
Corporate and other unallocated assets				1,782,269
Total assets				14,341,844

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017 (Continued)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment liabilities	4,424,966	6,218,715	(545,844)	10,097,837
Corporate and other unallocated liabilities				60,689
Total liabilities				10,158,526
Other segment information:				
Share of profits and losses of:				
Joint ventures	(1,659)	–	–	(1,659)
Associates	3,742	–	–	3,742
Depreciation	23,535	13,729	–	37,264
Amortisation	7,187	–	–	7,187
Provision for				
– foreseeable losses on contracts	19,332	19,766	–	39,098
– impairment on trade receivables, deposits and other receivables, amounts due from contract customers, net	102,290	4,434	–	106,724
Investments in joint ventures	38,445	–	–	38,445
Investments in associates	103,192	–	–	103,192
Capital expenditure *	306,987	15,375	–	322,362

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2016

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	2,212,180	2,877,893	–	5,090,073
Intersegment sales	8,722	–	(8,722)	–
Total revenue	2,220,902	2,877,893	(8,722)	5,090,073
Segment results	293,708	186,909	(5,150)	475,467
Interest income	320	133,473	–	133,793
Finance costs	–	(59,033)	–	(59,033)
Profit of segments for the year	294,028	261,349	(5,150)	550,227
Income tax expense				(88,284)
Unallocated interest income				9,778
Unallocated gains on disposal of available-for-sale investments				6,961
Profit for the year				478,682

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2016 (Continued)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment assets	4,254,357	5,757,563	(526,748)	9,485,172
Corporate and other unallocated assets				1,517,946
Total assets				11,003,118
Segment liabilities	4,194,691	3,757,416	(528,354)	7,423,753
Corporate and other unallocated liabilities				61,893
Total liabilities				7,485,646
Other segment information:				
Share of profits and losses of:				
Joint ventures	(976)	–	–	(976)
Associates	2,771	–	–	2,771
Depreciation	24,246	20,738	–	44,984
Amortisation	3,288	–	–	3,288
Provision for				
– foreseeable losses on contracts	2,159	1,664	–	3,823
– impairment on trade receivables, deposits and other receivables, net	51,075	(8,043)	–	43,032
Investments in joint ventures	40,105	–	–	40,105
Investments in associates	15,037	–	–	15,037
Capital expenditure *	48,625	38,361	–	86,986

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Mainland China	6,864,332	4,966,086
Other countries	108,213	123,987
	6,972,545	5,090,073

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

(b) Non-current assets

	31 December 2017	31 December 2016
	RMB'000	RMB'000
Mainland China	810,044	451,241

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about two major customers

During the years ended 31 December 2017 and 2016, there were two customers of the Group from which the revenue individually accounted for over 10% of the Group's total revenue.

Year ended 31 December 2017

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	198,999	789,260	988,259
Customer B	–	833,504	833,504
	198,999	1,622,764	1,821,763

Year ended 31 December 2016

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	207,543	534,386	741,929
Customer B	–	992,020	992,020
	207,543	1,526,406	1,733,949

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) the values of services rendered; and (2) appropriate proportion of contract revenue of construction contracting during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Revenue		
Design, survey and consultancy	2,976,736	2,212,180
Construction contracting	3,995,809	2,877,893
	6,972,545	5,090,073
Other income and gains		
Interest income	265,935	143,571
Gain on disposal of available-for-sale investments	1,975	6,961
Government grants	205	748
Foreign exchange gains	–	15,183
Others *	2,949	5,231
	271,064	171,694

* Others mainly represented other miscellaneous gains.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	141,244	59,033

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cost of design, survey and consultancy		2,061,403	1,519,262
Cost of construction contracting		3,567,924	2,467,777
Total cost of sales		5,629,327	3,987,039
Depreciation of items of property, plant and equipment	12/(a)	37,264	44,984
Amortisation of prepaid land lease payments	13	4,053	710
Amortisation of intangible assets	14	3,134	2,578
Total depreciation and amortisation		44,451	48,272
Impairment of trade receivables, net	22	78,457	40,725
Impairment of deposits and other receivables, net	23	4,695	2,307
Impairment of amounts due from contract customers, net		23,572	–
Total impairment losses, net		106,724	43,032
Provision for foreseeable losses on contracts, net		39,098	3,823
Lease expenses under operating lease	(b)	170,119	139,918
Auditor's remuneration		3,380	3,150
Employee benefit expenses (excluding Directors' and supervisors' remuneration):	(c)		
Wages, salaries and allowances		1,159,373	924,353
Retirement benefit costs			
– Defined contribution retirement schemes		120,675	109,846
– Defined benefit retirement schemes	28	6,670	5,390
Total retirement benefit costs		127,345	115,236
Welfare and other expenses		202,249	168,051
Total employee benefit expenses		1,488,967	1,207,640
Interest income	5	(265,935)	(143,571)
Government grant	5	(205)	(748)
Gain on disposal of available-for-sale investments	5	(1,975)	(6,961)
Loss on disposal of items of property, plant and equipment, net		92	205
Foreign exchange differences, net		12,818	(15,183)

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

(a) Depreciation of approximately RMB21,112,000 (2016: RMB34,492,000) was included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

(b) Lease expenses of approximately RMB137,953,000 (2016: RMB120,595,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

(c) Employee benefit expenses of approximately RMB1,137,214,000 (2016: RMB866,047,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

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

Directors' and supervisors' remuneration

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Fees	606	680
Other emoluments:		
– Salaries, allowances and benefits in kind	1,373	1,447
– Performance-related bonuses	3,981	3,512
– Pension schemes	439	451
	6,399	6,090

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2017

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors						
Mr. Wang Hanjun (王漢軍) (Chief executive)		–	255	725	84	1,064
Mr. Li Guoqing (李國慶)		–	302	721	83	1,106
		–	557	1,446	167	2,170
Non-executive Directors						
Ms. Wang Liping (王麗萍)		–	–	–	–	–
Mr. Chen Daihua (陳代華)	(i)	–	–	–	–	–
Mr. Su Bin (蘇斌)		–	–	–	–	–
Mr. Kong Lingbin (孔令斌)	(i)	–	–	–	–	–
Mr. Yan Lianyuan(閆連元)	(ii)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)		–	–	–	–	–
Mr. Guan Jifa (關繼發)		–	–	–	–	–
Ms. Guo Yanhong (郭延紅)	(ix)	–	–	–	–	–
		–	–	–	–	–

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2017 (Continued)

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Independent Non-executive Directors						
Mr. Zhang Fengchao (張鳳朝)	(iii)	–	–	–	–	–
Mr. Yim Fung (閻峰)		125	–	–	–	125
Mr. Sun Maozhu (孫茂竹)		125	–	–	–	125
Mr. Liang Qinghuai (梁青槐)		125	–	–	–	125
Mr. Wang Dexing (王德興)		125	–	–	–	125
		500	–	–	–	500
Supervisors						
Ms. Nie Kun (聶菎)		–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
Mr. Wang Jingang (王金剛)	(iv)	–	178	319	53	550
Mr. Zhang Wei (張巍)	(v)	–	150	844	44	1,038
Ms. Mi Jianzhou (彌建洲)	(v)	–	176	510	45	731
Mr. Wang Wenjiang (王文江)	(v)	–	148	410	43	601
Ms. Yang Huiju (楊卉菊)	(vi)	–	57	190	36	283
Mr. Liu Hao (劉皓)	(vi)	–	57	197	34	288
Mr. Ban Jianbo (班健波)	(vi)	–	50	65	17	132
Mr. Yuanguoyue (袁國躍)	(vii)	–	–	–	–	–
Ms. Zhaohong (趙鴻)	(vii)	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		67	–	–	–	67
Mr. Zhang Junming (張俊明)	(viii)	39	–	–	–	39
		106	816	2,535	272	3,729
		606	1,373	3,981	439	6,399

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2016

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors						
Mr. Wang Hanjun (王漢軍) (Chief executive)		–	249	629	77	955
Mr. Li Guoqing (李國慶)		–	301	628	76	1,005
		–	550	1,257	153	1,960
Non-executive Directors						
Ms. Wang Liping (王麗萍)		–	–	–	–	–
Mr. Chen Daihua (陳代華)	(i)	–	–	–	–	–
Mr. Su Bin (蘇斌)		–	–	–	–	–
Mr. Kong Lingbin (孔令斌)	(i)	–	–	–	–	–
Mr. Zhang Jie (張傑)		–	–	–	–	–
Mr. Wang Hao (王灝)		–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)		–	–	–	–	–
Mr. Guan Jifa (關繼發)		–	–	–	–	–
Ms. Guo Yanhong (郭延紅)	(ix)	–	–	–	–	–
		–	–	–	–	–

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2016 (Continued)

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Independent Non-executive Directors						
Mr. Zhang Fengchao (張鳳朝)	(iii)	–	–	–	–	–
Mr. Yim Fung (閻峰)		134	–	–	–	134
Mr. Sun Maozhu (孫茂竹)		134	–	–	–	134
Mr. Liang Qinghuai (梁青槐)		134	–	–	–	134
Mr. Wang Dexing (王德興)		134	–	–	–	134
		536	–	–	–	536
Supervisors						
Ms. Mi Jianzhou (彌建洲)	(v)	–	248	569	76	893
Mr. Wang Jingang (王金剛)	(iv)	–	225	459	74	758
Mr. Zhang Wei (張巍)	(v)	–	213	774	75	1,062
Mr. Wang Wenjiang (王文江)	(v)	–	211	453	73	737
Mr. Yao Guanghong (姚廣紅)		–	–	–	–	–
Ms. Nie Kun (聶菎)		–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		72	–	–	–	72
Mr. Zhang Junming (張俊明)	(viii)	72	–	–	–	72
Mr. Fu Yanbing (傅炎冰)		–	–	–	–	–
		144	897	2,255	298	3,594
		680	1,447	3,512	451	6,090

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

Directors' and supervisors' remuneration (Continued)

Notes:

(i) Mr. Chen Daihua and Mr. Kong Lingbin resigned as non-executive directors with effect from 24 November 2017 and 9 March 2017 respectively.

(ii) Mr. Yan Lianyuan was appointed as a non-executive director with effect from 9 March 2017.

(iii) Mr. Zhang Fengchao resigned as an independent non-executive director with effect from 13 March 2017.

(iv) Mr. Wang Jingang resigned as a supervisor with effect from 9 October 2017.

(v) Mr. Zhang Wei, Ms. Mi Jianzhou and Mr. Wang Wenjiang resigned as supervisors with effect from 18 August 2017.

(vi) Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo were appointed as supervisors with effect from 18 August 2017.

(vii) Mr. Yuanguoyue and Ms. Zhaohong were appointed as supervisors with effect from 9 March 2017.

(viii) Mr. Zhang Junming resigned as a supervisor with effect from 1 August 2017.

(ix) Ms. Guo Yanhong resigned as a non-executive director with effect from 26 March 2018.

(a) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the years ended 31 December 2017 and 2016 is as follows:

	Year ended 31 December	
	2017	2016
Non-director and non-supervisor employees	5	5

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

(a) Five highest paid employees (Continued)

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	1,168	1,241
Performance-related bonuses	11,135	6,250
Pension schemes	388	379
	12,691	7,870

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

	Year ended 31 December	
	2017	2016
HK$1,500,001 to HK$2,000,000	1	5
HK$2,000,001 to HK$3,000,000	3	–
HK$6,000,001 to HK$6,500,000	1	–
	5	5

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

(a) Five highest paid employees (Continued)

During the years ended 31 December 2017 and 2016, except for Mr. Zhang Fengchao, no Directors, supervisors, or none of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and certain subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2017 and 2016 in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in Mainland China were subject to corporate income tax at a statutory rate of 25%.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2017 and 2016.

		Year ended 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Current income tax – Mainland China		118,971	93,329
Deferred income tax	18	(22,225)	(5,045)
Tax charge for the year		96,746	88,284

9. INCOME TAX (CONTINUED)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before tax	608,755	566,966
Income tax at the statutory income tax rate	152,189	141,742
Effect of different income tax rate for some entities	(48,465)	(48,924)
Tax effect of share of profits and losses of joint ventures and associates	(521)	(449)
Additional tax deduction for research and development expenditure	(8,825)	(5,959)
Expenses not deductible for tax purposes	2,638	3,194
Adjustments in respect of current tax of previous periods	(1,652)	(2,184)
Tax losses not recognised	1,382	864
Tax charge for the year at the effective rate	96,746	88,284

10. DIVIDENDS

The dividends during the years ended 31 December 2017 and 2016 are set out below:

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Declared:			
Final dividend – RMB0.0996 (2015: RMB0.0837) per ordinary share	(i)	126,758	106,522
Proposed:			
Final dividend – RMB0.0994 (2016: RMB0.0996) per ordinary share	(ii)	134,058	126,758

Notes:

(i) At the annual general meeting held on 5 June 2017, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2016 of RMB0.0996 per share which amounted to RMB126,758,000 and was settled in August 2017.

(ii) On 29 March 2018, the board of directors proposed the payment of a final dividend of RMB0.0994 per ordinary share in respect of the year ended 31 December 2017, based on the issued share capital of the Company of 1,348,670,000 shares. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	495,919	471,950

	Year ended 31 December	
	2017	2016
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation (i)	1,273,295	1,272,670

(i) The weighted average number of ordinary shares of 1,273,295,000 in issue throughout the year, as adjusted to reflect the employee stock ownership scheme of share of 76,000,000 on 29 December 2017. Details are included in note 29.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2017

	Buildings RMB'000	Machinery RMB'000	Production equipment RMB'000	Motor vehicles RMB'000	Measurement and experimental equipment RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017:									
Cost	124,893	276,739	2,210	44,062	58,835	60,798	41,089	939	609,565
Accumulated depreciation	(22,221)	(113,444)	(1,096)	(20,241)	(27,229)	(41,913)	(27,416)	–	(253,560)
Net carrying amount	102,672	163,295	1,114	23,821	31,606	18,885	13,673	939	356,005
At 1 January 2017, net of accumulated depreciation	102,672	163,295	1,114	23,821	31,606	18,885	13,673	939	356,005
Additions	–	3,197	5,056	9,668	15,421	14,376	16,925	53,678	118,321
Disposals	(124)	(58)	–	(952)	–	(16)	–	–	(1,150)
Depreciation provided during the year (note 7)	(2,894)	(10,529)	(1,208)	(4,436)	(4,027)	(7,871)	(6,299)	–	(37,264)
At 31 December 2017, net of accumulated depreciation	99,654	155,905	4,962	28,101	43,000	25,374	24,299	54,617	435,912
At 31 December 2017:									
Cost	124,769	279,878	7,266	52,778	74,256	75,158	58,014	54,617	726,736
Accumulated depreciation	(25,115)	(123,973)	(2,304)	(24,677)	(31,256)	(49,784)	(33,715)	–	(290,824)
Net carrying amount	99,654	155,905	4,962	28,101	43,000	25,374	24,299	54,617	435,912

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2016

	Buildings RMB'000	Machinery RMB'000	Production equipment RMB'000	Motor vehicles RMB'000	Measurement and experimental equipment RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016:									
Cost	124,721	239,694	2,038	38,801	41,449	53,866	27,374	–	527,943
Accumulated depreciation	(19,359)	(93,003)	(912)	(18,010)	(23,029)	(36,060)	(19,814)	–	(210,187)
Net carrying amount	105,362	146,691	1,126	20,791	18,420	17,806	7,560	–	317,756
At 1 January 2016, net of accumulated depreciation	105,362	146,691	1,126	20,791	18,420	17,806	7,560	–	317,756
Additions	172	37,945	172	7,023	17,386	7,007	13,715	939	84,359
Disposals	–	(900)	–	(198)	–	(28)	–	–	(1,126)
Depreciation provided during the year (note 7)	(2,862)	(20,441)	(184)	(3,795)	(4,200)	(5,900)	(7,602)	–	(44,984)
At 31 December 2016, net of accumulated depreciation	102,672	163,295	1,114	23,821	31,606	18,885	13,673	939	356,005
At 31 December 2016:									
Cost	124,893	276,739	2,210	44,062	58,835	60,798	41,089	939	609,565
Accumulated depreciation	(22,221)	(113,444)	(1,096)	(20,241)	(27,229)	(41,913)	(27,416)	–	(253,560)
Net carrying amount	102,672	163,295	1,114	23,821	31,606	18,885	13,673	939	356,005

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB12,350,000 as at 31 December 2017 (2016: RMB25,895,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2017.

13. PREPAID LAND LEASE PAYMENTS

	Note	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January		32,646	33,356
Addition for the year		202,880	–
Amortisation for the year	7	(4,053)	(710)
Carrying amount at 31 December		231,473	32,646
Portion classified as current assets		(5,163)	(710)
Non-current portion		226,310	31,936

14. INTANGIBLE ASSETS

Software	Note	2017 RMB'000	2016 RMB'000
At 1 January:			
Cost		24,352	21,725
Accumulated amortisation for the year		(16,194)	(13,616)
Net carrying amount		8,158	8,109
Cost at beginning of the year, net of accumulated amortisation		8,158	8,109
Additions		1,161	2,627
Amortisation provided during the year	7	(3,134)	(2,578)
At 31 December		6,185	8,158
At 31 December:			
Cost		25,513	24,352
Accumulated amortisation for the year		(19,328)	(16,194)
Net carrying amount		6,185	8,158

15. INVESTMENTS IN JOINT VENTURES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	38,445	40,105

The Group's other receivable balances and trade payable balances with the joint ventures are disclosed in notes 23 and 25 to the financial statements.

The above investments are directly held by the Company.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of the joint ventures' assets and liabilities:		
Assets	531,057	43,091
Liabilities	(492,612)	(2,986)
Net assets	38,445	40,105

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Share of the joint ventures' results:		
Revenue	6,785	6,627
Loss for the year	(1,659)	(976)
Other comprehensive income	–	–
Total comprehensive loss	(1,659)	(976)

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2017 and 2016.

16. INVESTMENTS IN ASSOCIATES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	103,192	15,037

The Group's receivables and payable balances with the associates are disclosed in notes 22, 23, 25 and 26 to the financial statements.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of the associates' assets and liabilities:		
Assets	139,226	46,807
Liabilities	(36,034)	(31,770)
Net assets	103,192	15,037

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Share of the associates' results:		
Revenue	61,631	49,750
Profit for the year	3,742	2,771
Other comprehensive income	–	–
Total comprehensive income	3,742	2,771

17. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current available-for-sale investments:			
Unlisted equity investments, at cost	(i)	8,650	8,650
Other financial assets	(ii)	11,252	10,000
		19,902	18,650

Notes:

(i) The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

(ii) The other financial assets represented corporate wealth management products purchased by the Company from certain banks. The principals of the above products are guaranteed by banks with repayment due date within the term. The Group does not intend to dispose of them in the near future.

Other comprehensive income of RMB1,252,000 (2016: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2017 and 2016 are as follows:

	Note	2017 RMB'000	2016 RMB'000
Deferred tax assets:			
At beginning of the year		81,320	75,198
Deferred tax credited to profit or loss during the year	9	24,221	6,122
At end of the year		105,541	81,320
Deferred tax liabilities:			
At beginning of the year		1,077	–
Deferred tax charged to profit or loss during the year	9	1,996	1,077
At end of the year		3,073	1,077

18. DEFERRED TAX (CONTINUED)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	67,330	48,749
Provision for impairment of available-for-sale investments	325	325
Provision for impairment of amounts due from contract customers	3,925	–
Provision for foreseeable losses on construction and service contracts	8,379	2,937
Accrued employee costs	11,832	22,123
Unrealised gains arising from intra-group transactions	8,774	3,937
Tax losses	4,732	2,856
Others	244	393
	105,541	81,320
Deferred tax liabilities:		
Differences on depreciation of property, plant and equipment	3,073	1,077

The Group has tax losses arising in Hong Kong of RMB1,628,000 (2016: RMB2,481,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB3,902,000 (2016: RMB975,000) that will expire in one to five years for offsetting against future taxable profits.

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

19. FINANCIAL RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Receivables for service concession arrangements	3,850,621	2,233,117
Portion classified as non-current assets	(3,641,891)	(2,223,132)
Current portion	208,730	9,985

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

Financial receivables were unbilled receivables, and were neither past due nor impaired. Financial receivables were mainly due from governmental authorities in Mainland China, as grantors in respect of the Group's service concession arrangements. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2017, the Group's financial receivables of RMB3,850,621,000 (31 December 2016: RMB1,728,353,000) were pledged to secure certain of the Group's bank loans, amounting to RMB2,599,032,000 (31 December 2016: RMB1,370,000,000) (note 27).

20. INVENTORIES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Raw materials	69,664	58,619
Spare parts and consumables	9,952	8,456
	79,616	67,075

21. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Construction contracts

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amount due from contract customers	612,932	555,341
Amount due to contract customers	(306,841)	(126,528)
	306,091	428,813

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	19,351,480	19,880,810
Less: Progress billings received and receivable	(19,045,389)	(19,451,997)
	306,091	428,813

Contracts for services

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amount due from contract customers	1,329,017	1,836,744
Amount due to contract customers	(1,224,790)	(1,524,717)
	104,227	312,027

21. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS (CONTINUED)

Contracts for services (Continued)

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	15,624,472	13,392,668
Less: Progress billings received and receivable	(15,520,245)	(13,080,641)
	104,227	312,027

22. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to recognise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade receivables		2,621,235	2,082,241
Impairment		(303,522)	(225,065)
Trade receivables, net		2,317,713	1,857,176
Bills receivable		72,933	7,854
		2,390,646	1,865,030
Portion classified as non-current assets	(i)	(33,421)	(14,405)
Current portion		2,357,225	1,850,625

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Note:

(i) The non-current portion of trade receivables mainly represented the amounts of receivables for retentions held by customers at 31 December 2017 and 2016.

At 31 December 2017 and 2016, the amounts of retentions held by customers for contract works included in trade receivables were approximately as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amounts of retentions in trade receivables	89,202	79,061

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 3 months	1,026,789	702,550
3 months to 6 months	426,048	279,897
6 months to 1 year	291,211	408,517
1 to 2 years	345,651	182,321
2 to 3 years	99,081	164,719
3 to 4 years	70,130	78,174
4 to 5 years	45,935	32,440
Over 5 years	12,868	8,558
	2,317,713	1,857,176

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
At beginning of the year	225,065	184,340
Impairment losses recognised	89,870	51,552
Impairment losses reversed	(11,413)	(10,827)
At end of the year	303,522	225,065

Included in the above provision for impairment of trade receivables were provisions for individually impaired trade receivables of RMB133,396,000 and RMB82,517,000 with aggregate carrying amounts before provision of RMB274,404,000 and RMB266,457,000 as at 31 December 2017 and 2016 respectively.

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Neither past due nor impaired	1,452,837	982,447

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

The amounts due from Beneficial Shareholders (i) and their affiliates, BUCG, fellow subsidiaries and other related parties included in the trade receivables are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Beneficial Shareholders and their affiliates	598,063	563,724
BUCG	23,213	23,342
Fellow subsidiaries	9,397	2,090
An associate of BUCG	3,430	403
An associate	741	1,342
A shareholder holding a 6.09% interest in the Company	–	1,276
	634,844	592,177

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to other major customers of the Group.

(i) Pursuant to the capital injection agreement in May 2013, seven strategic investors contributed cash of RMB703 million to the Company. Thereafter, these strategic investors became the beneficial shareholders (the "Beneficial Shareholders") of the Company.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Deposits and other receivables		1,330,525	1,104,857
Provision for impairment of deposits and other receivables		(16,616)	(11,921)
		1,313,909	1,092,936
Prepayments		241,985	132,024
Deductible VAT		179,404	47,674
		1,735,298	1,272,634
Portion classified as non-current assets	(i)	(371,702)	(505,308)
Current portion		1,363,596	767,326

Note:

(i) The non-current portion of deposits and other receivables mainly represents reimbursed expenses on behalf of the customers and performance guarantee amounts held by customers at 31 December 2017 and 2016.

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

	2017 RMB'000	2016 RMB'000
At beginning of the year	11,921	9,614
Impairment losses recognised	7,046	4,719
Impairment losses reversed	(2,351)	(2,412)
At end of the year	16,616	11,921

Included in the above provision for impairment of other receivables were provisions for individually impaired other receivables of RMB7,298,000 and RMB5,563,000 with aggregate carrying amounts before provision of RMB7,298,000 and RMB5,711,000 as at 31 December 2017 and 2016, respectively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the deposits and other receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Neither past due nor impaired	1,249,916	1,066,481

None of the balances disclosed above is either past due or impaired, as they relate to balances for which there was no recent history of default.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Joint Ventures	489,101	1,537
Associates	34,344	30,027
An associate of BUCG	8,582	–
Fellow subsidiaries	364	1,523
Beneficial Shareholders and their affiliates	–	64
	532,391	33,151

As at 31 December 2017, the amounts due from associates amounting to RMB16,000,000 (31 December 2016: RMB13,000,000) bear interest at 10% per annum, and the amounts due from a joint venture amounting to RMB480,000,000 (31 December 2016: Nil) bear interest at 4.35% to 4.75% per annum.

As at 31 December 2017, the other receivables amounting to RMB520,253,000 (31 December 2016: RMB481,406,000) were pledged to secure certain of the Group's bank loans, amounting to RMB2,599,032,000 (31 December 2016: RMB1,370,000,000) (note 27).

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

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Cash and bank balances	3,402,864	2,607,822
Time deposits	200	13,434
	3,403,064	2,621,256
Less: Pledged bank balances for bidding guarantees and performance guarantees	(21,177)	(55,404)
Cash and bank balances in the consolidated statement of financial position	3,381,887	2,565,852
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(200)	(200)
Cash and cash equivalents in the consolidated statement of cash flows	3,381,687	2,565,652
Cash and bank balances and time deposits denominated in:		
– RMB	3,164,304	2,382,850
– Other currencies	238,760	238,406
	3,403,064	2,621,256

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

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

25. TRADE PAYABLES

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 6 months	1,386,090	863,787
6 months to 1 year	230,855	289,426
1 to 2 years	549,378	499,956
2 to 3 years	278,452	206,362
Over 3 years	233,084	145,385
	2,677,859	2,004,916

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Associates of BUCG	193,818	146,969
Fellow subsidiaries	129,844	155,379
Associates	4,267	4,761
A joint venture	3,360	–
Beneficial Shareholders and their affiliates	180	7,582
BUCG	43	–
	331,512	314,691

26. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Advances from customers		1,336,066	988,765
Accrued salaries, wages and benefits		411,872	347,490
Other taxes payable		517,455	296,302
Retention payables		115,402	76,015
Interest payable		16,798	11,918
Deferred income		21,210	7,000
Other payables		99,932	108,082
		2,518,735	1,835,572
Portion classified as non-current liabilities	(i)	(297,579)	(21,703)
Current portion		2,221,156	1,813,869

Note:

(i) The non-current portion mainly represented output VAT, the performance guaranteed amounts from sub-contractors and suppliers of the Group and government grants at 31 December 2017 and 2016.

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

The amounts due to Beneficial Shareholders and their affiliates, a non-controlling shareholder and other related parties included in other payables, advances from customers and accruals are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Beneficial Shareholders and their affiliates	316,064	277,348
A non-controlling shareholder	10,101	10,078
Fellow subsidiaries	8,526	6,617
Associates of BUCG	6,534	10,694
An associate	4,778	8,558
BUCG	1,946	5,578
	347,949	318,873

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2017			31 December 2016		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Non-current						
Long term bank loans:						
– secured (i)	4.41%-4.90%	2019-2029	2,369,032	4.90%	2018-2027	1,290,000
Long term other borrowings:						
– unsecured	3.98%-4.90%	2019-2026	708,400	4.90%	2019-2026	508,400
			3,077,432			1,798,400
Current						
Current portion of long term bank loans:						
– secured (i)	4.66%-4.90%	2018	230,000	4.90%	2017	80,000
			3,307,432			1,878,400
Denominated in:						
– RMB			3,307,432			1,878,400

(i) The bank loans of RMB2,599,032,000 (31 December 2016: RMB1,370,000,000) were secured by the pledge of the other receivables amounting to RMB520,253,000 (31 December 2016: RMB481,406,000) and financial receivables amounting to RMB3,850,621,000 (31 December 2016: RMB1,728,353,000) under the service concession arrangements.

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

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2017 and 2016 is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	230,000	80,000
In the second year	374,000	160,000
In the third to fifth years, inclusive	799,066	400,000
Beyond fifth years	1,195,966	730,000
	2,599,032	1,370,000
Other borrowings repayable:		
In the second year	130,400	–
In the third to fifth years, inclusive	220,000	250,400
Beyond fifth years	358,000	258,000
	708,400	508,400
	3,307,432	1,878,400

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
A non-controlling shareholder	508,400	508,400

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

The Group has the following supplementary retirement benefits: (1) the retirement pension subsidies, medical benefits and other supplementary benefits to retirees who retired before 31 December 2012; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2012; and (3) the heating allowances to its employees upon their retirement. These supplementary retirement benefits are considered to be defined benefit plans as the Group is obligated to provide retirement benefits to those retirees and employees mentioned above.

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2017 and 2016 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅資詢公司) using the projected unit credit actuarial valuation method.

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
At end of the year	62,180	53,620
Portion classified as current liabilities	(3,650)	(3,160)
Non-current portion	58,530	50,460

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
At beginning of the year	53,620	54,840
Interest costs on benefit obligations	2,040	1,600
Current service costs	1,180	840
Past service costs	3,450	2,950
Benefits paid during the year	(2,990)	(3,240)
Re-measurement gains recognised in other comprehensive income	4,880	(3,370)
At end of the year	62,180	53,620

The details of re-measurement (gains)/losses recognised in other comprehensive income of the Group during the years ended 31 December 2017 and 2016 are as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Actuarial changes arising from changes in financial assumptions	(6,470)	(3,680)
Actuarial changes due to demographic assumption changes	6,760	–
Liability experience adjustments	4,590	310
Re-measurement gains recognised in other comprehensive income	4,880	(3,370)

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(c) The net expenses recognised in profit or losses in respect of the provisions for supplementary retirement benefits of the Group are as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Interest costs on benefit obligations	2,040	1,600
Current service costs	1,180	840
Past service costs	3,450	2,950
	6,670	5,390

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Discount rates	4.25%	3.50%
Mortality rate	Average life expectancy of residents in Mainland China	
Average annual benefit increase:		
– Cost of living adjustment for internal retirees	4.00%	4.00%
– Medical expenses	8.00%	8.00%
– Withdrawal rate for actives	3.00%	2.00%

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2017 and 2016 are as follows: (Continued)

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Average life expectancy	46.5 years	43.1 years

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at the end of 31 December 2017 and 2016 is as follows:

	Increase in rate %	Increase/(decrease) in provisions for supplementary retirement benefits RMB'000	Decrease in rate %	Increase/(decrease) in provisions for supplementary retirement benefits RMB'000
As at 31 December 2017				
Discount rate	0.25	(1,930)	(0.25)	2,030
Future medical expense	0.25	720	(0.25)	(690)
As at 31 December 2016				
Discount rate	0.25	(1,690)	(0.25)	1,790
Future medical expense	0.25	520	(0.25)	(500)

The sensitivity analysis above has been made based on a method that extrapolates the impact on the provisions for supplementary retirement benefits as a result of reasonable changes in key assumptions occurring at 31 December 2017 and 2016.

29. SHARE CAPITAL

Shares

	31 December 2017 RMB'000	31 December 2016 RMB'000
Registered, issued and fully paid:		
1,348,670,000 (2016:1,272,670,000) ordinary shares	1,348,670	1,272,670

A summary of movements in the Company's share capital is as follow:

	Number of shares in issue '000	Share capital RMB'000
At 31 December 2016 and 1 January 2017	1,272,670	1,272,670
Employee stock ownership scheme (i)	76,000	76,000
At 31 December 2017	1,348,670	1,348,670

Note:

(i) The Company operates a key employee stock ownership scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The Scheme was approved by the 2017 second extraordinary general meeting on 29 December 2017.

The Company issued 76,000,000 domestic shares to the eligible participants of the Scheme at an issue price of RMB3.43 per share and the proceed received therefrom was approximately RMB260,680,000.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017 and 2016 are presented in the consolidated statements of changes in equity.

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Changes in liabilities arising from financing activities

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2017	1,878,400	–	11,918
Changes from financing cash flows	1,429,032	127,331	(136,364)
Interest expense	–	–	141,244
Final 2016 dividend declared	–	(126,758)	–
Dividend declared to non-controlling shareholders	–	(573)	–
At 31 December 2017	3,307,432	–	16,798

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for biding guarantees and performance guarantees and interest-bearing bank loans are disclosed in note 19, note 23,note 24 and note 27 to the financial statements.

33. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2017 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	53,714	95,355
In the second to fifth years, inclusive	63,869	123,628
After five years	288	3,436
	117,871	222,419

34. COMMITMENTS

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Equity investments	2,901,040	–
Property, plant and equipment	219,786	–
	3,120,826	–

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	310,698	291,758
BUCG	19,164	29,613
Fellow subsidiaries	14,636	12,945
Associates of BUCG	370	1,292
Associates	52	110
A shareholder holding a 6.09% interest in the Company	–	332
	344,920	336,050
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	1,338,216	781,184
BUCG	18,438	–
Fellow subsidiaries	13,399	–
	1,370,053	781,184

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016: (Continued)

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Construction contracting services provided by:		
Associates of BUCG	244,892	217,769
Fellow subsidiaries	132,552	160,983
	377,444	378,752
Design, survey and consultancy services provided by:		
Associates	21,378	21,010
A joint venture	5,874	–
Associates of BUCG	1,060	1,000
	28,312	22,010
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	12,514	11,456
BUCG	2,477	2,164
	14,991	13,620

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016: (Continued)

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Borrowings provided by:		
A non-controlling shareholder	–	508,400
Construction in progress provided by:		
A fellow subsidiary	756	–
Finance costs paid or payable to:		
A non-controlling shareholder	24,934	10,078
Borrowings provided to:		
A joint venture	480,000	–
Associates	3,000	4,000
	483,000	4,000
Interest income received or receivable from:		
A joint venture	3,944	–
Associates	1,845	925
	5,789	925

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016: (Continued)

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

On 22 March 2017, the Company, together with Beijing Urban Construction Investment Development Co., Ltd. and BUCG established Beijing Urban Construction Investment Fund Management Co., Ltd. The Company and the above two companies held 30%, 30% and 40% equity respectively of the entity, which is an associate of the Company.

BUCG issued certain letters of guarantee for performance and prepayment to customers in respect of its operation of urban rail transit construction contracting. As at 31 December 2016, the balances of the relevant letters of guarantee was RMB68 million. All the relevant letters of guarantee were settled in 2017.

The Group guaranteed certain of associates' letters of guarantee for performance for projects undertaking and the outstanding balances of such guarantee letters as at 31 December 2017 and 2016 were RMB17 million and RMB13 million, respectively.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the years ended 31 December 2017 and 2016, the Group entered into extensive transactions with other SOEs, such as bank deposits, rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machinery. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016: (Continued)

The Company issued domestic shares of the Scheme to several executive directors, supervisors and key management personnel on 29 December 2017. The details are as follows:

	Employee stock ownership scheme Number of Shares '000
Executive Directors	
Mr. Wang Hanjun (王漢軍) (Chief executive)	1,000
Mr. Li Guoqing (李國慶)	1,000
	2,000
Supervisors	
Mr. Wang Jingang (王金剛)	400
Mr. Zhang Wei (張巍)	550
Ms. Mi Jianzhou (彌建洲)	750
Mr. Wang Wenjiang (王文江)	400
	2,100
Key management personnel	
Mr. Xu Xiaodong (徐曉冬)	550
Mr. Yang Xiuren (楊秀仁)	750
Mr. Cheng Yan (成硯)	750
Mr. Wan Xuehong (萬學紅)	750
Mr. Jin Huai (金淮)	750
Mr. Wang Liang (王良)	750
Mr. Yu Songwei (于松偉)	750
Mr. Xiao Mujun (肖木軍)	750
Mr. Liu Li (劉立)	750
Mr. Xuan Wenchang (玄文昌)	750
	7,300

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In the opinion of the Directors, the below related party transactions shall also constitute continuing connected transactions under Chapter 14A of the Listing Rules:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Design, survey and consultancy services provided to:		
BUCG	19,164	29,613
Fellow subsidiaries	14,636	12,945
	33,800	42,558
Construction contracting services provided to:		
BUCG	18,438	–
Fellow subsidiaries	13,399	–
	31,837	–
Construction contracting services provided by:		
Fellow subsidiaries	132,552	160,983
Rental expenses and property management fees paid or payable to:		
BUCG	2,477	2,164
Fellow subsidiaries	12,514	11,456
	14,991	13,620

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In the opinion of the Directors, the below related party transactions shall also constitute continuing connected transactions under Chapter 14A of the Listing Rules: (CONTINUED)

	11 July 2017 to 31 December 2017 RMB'000
Design, survey and consultancy services provided to:	
A Beneficial Shareholder and its affiliates (note)	64,405
Construction contracting services provided to:	
A Beneficial Shareholder and its affiliates (note)	321,592

Note: Beijing Infrastructure Investment Co., Ltd., a Beneficial Shareholder of the Company became a connected person from 11 July 2017.

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 22, 23, 25 and 26 to the financial statements.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Short term employee benefits	8,595	8,557
Pension scheme	768	728
	9,363	9,285

(e) Commitments with related parties

As at 31 December 2017, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

Pursuant to certain construction contracts signed by the Company and BUCG, certain Beneficial Shareholders and their affiliates, the Company was engaged to build certain subways and the backlog as at 31 December 2017 amounted to RMB2,220 million (31 December 2016: RMB1,773 million).

Pursuant to certain design services contracts signed by the Company and a certain Beneficial Shareholder and its affiliates and BUCG and fellow subsidiaries, the Company was engaged to design certain subways and industrial and civil construction and municipal engineering and the backlog as at 31 December 2017 amounted to RMB1,177 million (31 December 2016: RMB994 million).

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Financial assets		
Available-for-sale financial investments:		
Available-for-sale investments	19,902	18,650
Loans and receivables:		
Trade and bills receivables	2,390,646	1,865,030
Financial receivables	3,850,621	2,233,117
Financial assets included in prepayments, deposits and other receivables	1,313,909	1,092,936
Pledged deposits	21,177	55,404
Cash and bank balances	3,381,887	2,565,852
	10,978,142	7,830,989
Financial liabilities		
Financial liabilities at amortised cost:		
Interest-bearing bank and other borrowings	3,307,432	1,878,400
Trade payables	2,677,859	2,004,916
Financial liabilities included in other payables, advances from customers and accruals	232,132	196,015
	6,217,423	4,079,331

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts 31 December		Fair values 31 December	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments	11,252	10,000	11,252	10,000
Loans and receivables:				
Trade and bills receivables, non-current portion	33,421	14,405	31,872	14,364
Financial receivables	3,850,621	2,233,117	3,851,560	2,386,233
Financial assets included in prepayments, deposits and other receivables, non-current portion	371,702	505,308	371,246	504,696
	4,266,996	2,762,830	4,265,930	2,915,293
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings, non-current portion	3,077,432	1,798,400	3,050,349	1,798,400
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	21,340	14,703	21,273	14,695
	3,098,772	1,813,103	3,071,622	1,813,095

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, financial receivables and the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of unlisted available-for-sale equity investments cannot be measured reliably because they do not have quoted market prices in an active market and the range of reasonable fair value estimate is so significant.

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

Fair value hierarchy:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Wealth investment products	–	11,252	–	11,252

31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Wealth investment products	–	10,000	–	10,000

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

Assets for which fair values are disclosed:

31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables, non-current portion	–	31,872	–	31,872
Financial receivables	–	3,851,560	–	3,851,560
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	371,246	–	371,246
	–	4,254,678	–	4,254,678

31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables, non-current portion	–	14,364	–	14,364
Financial receivables	–	2,386,233	–	2,386,233
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	504,696	–	504,696
	–	2,905,293	–	2,905,293

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

Liabilities for which fair values are disclosed:

31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	3,050,349	–	3,050,349
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	21,273	–	21,273
	–	3,071,622	–	3,071,622

31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	1,798,400	–	1,798,400
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	14,695	–	14,695
	–	1,813,095	–	1,813,095

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, pledged deposits and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of Directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to profit or loss as incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis point	Increase/(decrease) in profit before tax 2017 RMB'000	2016 RMB'000
Market interest rates	1%	(22,423)	(5,255)
Market interest rates	(1%)	22,423	5,255

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, it is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and bank balances and pledged deposits at the end of the reporting period are disclosed in note 24 to the financial statements.

The following tables indicate the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure during the years ended 31 December 2017 and 2016. The sensitivity analysis is on bank deposits in United States dollars and Hong Kong dollars.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

Effects on profit before tax

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit before tax 2017 RMB'000	2016 RMB'000
If RMB weakens against the United States dollar	5%	80,313	82,042
If RMB strengthens against the United States dollar	(5%)	(80,313)	(82,042)
If RMB weakens against the Hong Kong dollar	5%	18	19
If RMB strengthens against the Hong Kong dollar	(5%)	(18)	(19)

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, financial receivables, available-for-sale investments and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and bank balances and pledged deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Concentrations of credit risk are managed by customer and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of Group's trade receivables are widely dispersed in different regions.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2017			
Interest-bearing bank and other borrowings	230,000	3,077,432	3,307,432
Interest payments on bank and other borrowings	150,108	570,968	721,076
Trade payables	2,677,859	–	2,677,859
Financial liabilities included in other payables and accruals	210,792	24,180	234,972
	3,268,759	3,672,580	6,941,339
31 December 2016			
Interest-bearing bank and other borrowings	80,000	1,798,400	1,878,400
Interest payments on bank and other borrowings	90,798	416,139	506,937
Trade payables	2,004,916	–	2,004,916
Financial liabilities included in other payables and accruals	181,312	15,428	196,740
	2,357,026	2,229,967	4,586,993

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accrual, less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management (Continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of reporting period are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Interest-bearing bank and other borrowings	3,307,432	1,878,400
Trade payables	2,677,859	2,004,916
Financial liabilities included in other payables and accruals	232,132	196,015
Cash and bank balances	(3,381,887)	(2,565,852)
Pledged deposits	(21,177)	(55,404)
Net debt	2,814,359	1,458,075
Total equity	4,183,318	3,517,472
Capital and net debt	6,997,677	4,975,547
Gearing ratio	40%	29%

39. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 10 to the financial statements, the board of directors of the Company proposed on 29 March 2018, a final dividend of RMB0.0994 per share in respect of the year ended 31 December 2017. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	167,501	143,168
Prepaid land lease payments	226,310	31,936
Intangible assets	3,841	6,406
Investments in subsidiaries	1,633,989	1,497,673
Investments in joint ventures	42,450	42,450
Investments in associates	90,220	5,600
Available-for-sale investments	15,212	13,650
Deferred tax assets	75,667	54,705
Trade receivables	92,533	87,920
Prepayments, deposits and other receivables	9,979	17,960
Total non-current assets	2,357,702	1,901,468
CURRENT ASSETS		
Prepaid land lease payments	5,163	710
Inventories	31,917	26,336
Trade and bills receivables	1,711,438	1,338,612
Prepayments, deposits and other receivables and other receivables	987,685	417,837
Amounts due from contract customers	1,335,208	1,693,101
Pledged deposits	7,720	47,930
Cash and bank balances	2,131,410	1,776,970
Total current assets	6,210,541	5,301,496

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

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (Continued)

	31 December 2017 RMB'000	31 December 2016 RMB'000
CURRENT LIABILITIES		
Trade payables	1,935,154	1,423,321
Amounts due to contract customers	1,227,316	1,222,246
Other payables, advances from customers and accruals	1,743,413	1,424,054
Provisions for supplementary retirement benefits	2,990	2,570
Tax payable	28,188	22,322
Total current liabilities	4,937,061	4,094,513
NET CURRENT ASSETS	1,273,480	1,206,983
TOTAL ASSETS LESS CURRENT LIABILITIES	3,631,182	3,108,451
NON-CURRENT LIABILITIES		
Provisions for supplementary retirement benefits	45,154	39,264
Other payables and accruals	36,084	13,604
Total non-current liabilities	81,238	52,868
Net assets	3,549,944	3,055,583
EQUITY		
Share capital	1,348,670	1,272,670
Reserves (note)	2,201,274	1,782,913
Total equity	3,549,944	3,055,583

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

Note:

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

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	565,793	120,627	–	827,979	1,514,399
Profit for the year	–	–	–	387,210	387,210
Other comprehensive income	2,150	–	–	–	2,150
Total comprehensive income for the year	2,150	–	–	387,210	389,360
Final 2015 dividend declared	–	–	–	(106,522)	(106,522)
Appropriation to statutory surplus reserve	–	38,757	–	(38,757)	–
Transfer to a subsidiary	(14,324)	–	–	–	(14,324)
Transfer to special reserve	–	–	42,627	(42,627)	–
Utilisation of special reserve	–	–	(42,627)	42,627	–
As at 31 December 2016 and 1 January 2017	553,619	159,384	–	1,069,910	1,782,913
Profit for the year	–	–	–	364,047	364,047
Other comprehensive loss	(3,608)	–	–	–	(3,608)
Total comprehensive Income/ (loss) for the year	(3,608)	–	–	364,047	360,439
Final 2016 dividend declared	–	–	–	(126,758)	(126,758)
Appropriation to statutory surplus reserve	–	36,408	–	(36,408)	–
Employee stock ownership scheme	184,680	–	–	–	184,680
Transfer to special reserve	–	–	43,358	(43,358)	–
Utilisation of special reserve	–	–	(43,358)	43,358	–
At 31 December 2017	734,691	195,792	–	1,270,791	2,201,274

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 29 March 2018.