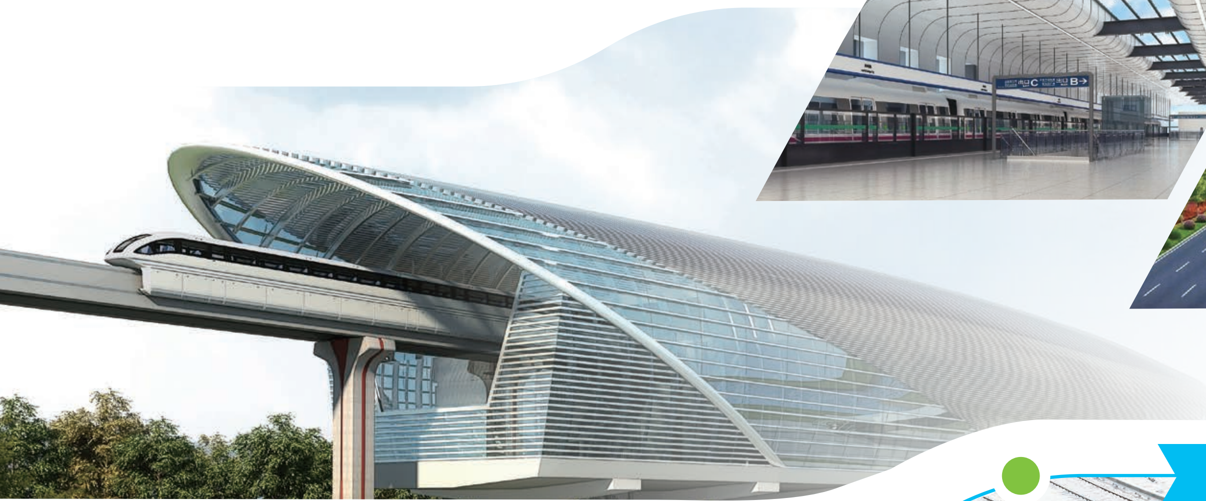
北京城建設計發展集團股份有限公司
BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED
(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1599



Annual Report 2019

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DEFINITIONS

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

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

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"PRC" or "China"	the People's Republic of China
"Reporting Period" or "the Year"	the year ended 31 December 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Supervisor(s)"	supervisor(s) of the Company
"%"	Per cent
"MOHURD"	the Ministry of Housing and Urban-rural Development of the PRC
"NDRC"	the National Development and Reform Commission of the PRC
"MOF"	the Ministry of Finance of the PRC

CORPORATE INFORMATION

REGISTERED NAME:

Chinese:
北京城建設計發展集團股份有限公司

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

LISTING PLACE OF H SHARES:

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK:

H shares

STOCK NAME:

UCD

STOCK CODE:

1599

H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:

5 Fuchengmen North Street, Xicheng District,
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

LEGAL REPRESENTATIVE:

Mr. Pei Hongwei

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

AUDITOR:

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 2019, the Group achieved revenue of RMB8,414 million, while the net profit for the Reporting Period amounted to RMB666 million.

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

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

	For the year ended 31 December			
	2019	Percentage of operating revenue	2018	Percentage of operating revenue
	RMB'000	(%)	RMB'000	(%)
Design, survey and consultancy	**3,662,649**	**43.53**	3,514,181	48.90
Construction contracting	**4,751,390**	**56.47**	3,671,965	51.10
Total	**8,414,039**	**100.00**	7,186,146	100.00

For the year ended 31 December 2019, the Group's total revenue was RMB8,414 million, representing an increase of RMB1,228 million or 17.09% compared with the corresponding period of last year, mainly attributable to the steady growth of construction contracting business.

The financial information for the years of 2015, 2016, 2017, 2018 and 2019 prepared by the Group in accordance with the International Financial Reporting Standards is summarized as follows:

	As at 31 December/Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**20,458,847**	16,402,288	14,341,844	11,003,118	7,739,604
Total liabilities	**15,361,962**	11,819,183	10,158,526	7,485,646	4,725,866
Non-controlling interests	**264,601**	265,254	262,742	223,304	88,314
Interests of the owners (excluding non-controlling shareholders)	**4,832,284**	4,317,851	3,920,576	3,294,168	2,925,424
Revenue	**8,414,039**	7,186,146	6,972,545	5,090,073	4,008,513
Gross profit	**1,679,197**	1,423,801	1,343,218	1,103,034	833,976
Profit before tax	**769,920**	686,932	608,755	566,966	461,923
Profit attributable to owners of the parent	**658,085**	562,382	495,919	471,950	397,629

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the 2019 annual results on behalf of the Board of the Group.

2019 marks the 70th anniversary of the founding of the People's Republic of China. It is a key year for building a well-off society in an all-round way and achieving the first century-long goal. The state has made overall plans to promote the overall layout of the "Five in One", coordinated the "Four Comprehensive" strategic layout, adhered to the general tone of making progress while maintaining stability, has been committed to the new development concept, and strived to promote high-quality development. At the beginning of the new "Jiazi" journey, Beijing Urban Construction Design and Development Group focused on the development of main business lines, consolidated its business foundation, overcame difficulties, and worked hard to promote the sustainable and high-quality development of the enterprise. Revenue for the year ended 31 December 2019 amounted to RMB8,414 million, and the net profit amounted to RMB666 million. Various key operating indicators of the Group have been steadily improved, and the advantages of the whole rail transit industry chain have gradually emerged. Through the core competitiveness, the Group's comprehensive strength has been continuously improved.

2020 is the closing year of the national "Thirteenth Five-Year Plan" and the preparation year for the "Fourteenth Five-Year Plan". In this year, the Group will also embrace new historical opportunities, continue to maintain a positive and progressive spirit, maintain strategic focus, stay true to its original aspiration, keep pace with the times, continue to reform and innovate, and boost the impetus for the development of the enterprise. Moreover, It will promote Beijing Urban Construction Design and Development Group to continue to drive the in-depth development of the whole industrial chain of the rail transit industry, interpret the urban construction design spirit of "ingenuity, responsibility, innovation, and fighting will" with a new speed and new heights of development, work together to achieve high-quality development of the Company, and build a stable economic foundation to satisfy customers, shareholders and the society.

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, and my gratitude for the continuous efforts and solid contributions made by our Directors, Supervisors, senior management and all staff of the Group.

Pei Hongwei
Chairman

Beijing, 25 March 2020

GENERAL MANAGER'S STATEMENT

Dear shareholders,

Time awaits for no one, and the seasons keep changing. We've now entered the year 2020. Looking back at 2019, the Company made progress forward despite difficulties and challenges.

We forged ahead amid intense market competition. The Company consolidated its market leadership position by securing the general contracting projects of seven rail transit lines, and won the bid for over 30 preliminary projects, laying a solid groundwork for future growth. The marketing amount from survey business reached RMB1.4 billion, and the marketing amount from geotechnical business doubled in three years. The Company's influence in the civil construction sector was increased, with the Beijing Park of the International Horticultural Exhibition drawing nationwide attention and being highly praised. The Company insisted on improving the performance and marketing of the engineering general contracting segment, to win new orders, including its first project for the Winter Olympic Games. The contracts were officially signed for the PPP projects for East Huangshan Tourism Light Rail and Shaoxing Rail Transit Line 1. The technology industrialization outcomes were sold to overseas customers, with the marketing amount continuing to grow rapidly. Preparations were well underway for the operation of Kunming Metro Line 4, laying a solid foundation for the coordinated development of full rail transit industry chain.

We made breakthroughs and innovations as China strives to become a high-tech powerhouse. After five years of strenuous efforts in technology industrialization, we have developed four product series with independent intellectual property. The Golden Dragon Cloud system has world-class rail transit service capabilities, setting new directions for upgrade in the urban rail transit industry. The technology research institute was officially established to help promote the research and development of new technologies and incubate the transformation of results, offering new drivers for leapfrog growth of the Company.

Our leapfrog upgrade was accompanied by the rise of great powers of our country. Strategies of virtual legal person and coordinated marketing resulted in noticeable results, boosting the coordinated growth of various business units. The 5 North Street renovation project was basically completed, integrating multi-dimensional spaces such as office, art, innovation and recreational and reflecting the wisdom, creativity and new ideas of urban construction. Our corporate culture, like rain in spring, has its positive influence on our employees smoothly to build a team spirit of commitment across the whole company. Party-building was strengthened across the board, with a focus on the new requirements of strengthening Party discipline. We thoroughly studied and vigorously implemented the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to build a red network for party-building and a community of common development. The labor union and group organizations further improved their service capabilities, carrying out various activities to help to build an orderly atmosphere and assist the Company in achieving a leapfrog development.

We have new aspirations for the coming year. Looking ahead to 2020, we will continue to focus on high-quality development, vigorously push forward with the A-share listing of the Company, further expand our design and consultancy businesses, strengthen our construction contracting capability, and proactively explore new businesses to create the new landscape of high-quality development of the Company and push our valued urban construction design business to a new level.

Wang Hanjun
General Manager

Beijing, 25 March 2020

Total Revenue
RMB
8,414 million

Profit for the year
RMB
666 million

Revenue from Construction contracting business
RMB
4,751 million

Number of Employees of the Group
4,282

Other income and gains
RMB
382.92 million

Revenue from Design, survey and consultancy business
RMB
3,663 million

Profit for the year Increased by
20.22%

Gross profit Increased by
17.91%

SUMMARY

In 2019, by focusing on the main line of development, fulfilling the concept of struggle and adhereing to the main line of high-quality development, the Company overcame difficulties with cohesion, and promoted the results of design-oriented and industrial synergy based on the overall working ideas of enhancing design consulting business, strengthening general construction contracting business and actively expanding new business, with the aim of striving to achieve a sustainable and high-quality development.

As of 31 December 2019, the Group's revenue amounted to RMB8,414 million, representing an increase of RMB1,228 million or 17.09% compared to RMB7,186 million for last year. The Group's net profit amounted to RMB666 million, representing an increase of RMB112 million or 20.22% compared to the net profit of RMB554 million for last year.

FINANCIAL REVIEW

Summary of Operating Results

	Year ended 31 December	
	2019	2018
	(RMB'000)	(RMB'000)
	Audited	Audited
Revenue	**8,414,039**	7,186,146
Cost of sales	**(6,734,842)**	(5,762,345)
Gross profit	**1,679,197**	1,423,801
Other income and gains	**382,919**	348,188
Selling and distribution expenses	**(73,149)**	(90,395)
Administrative expenses	**(827,541)**	(710,714)
Impairment losses on financial and contract assets, net	**(175,636)**	(85,123)
Other expenses	**(1,744)**	(103)
Finance costs	**(232,058)**	(189,931)
Share of profits/(losses) of joint ventures	**14,700**	(13,594)
Share of profits of associates	**3,232**	4,803
Profit before tax	**769,920**	686,932
Income tax expense	**(104,344)**	(133,126)
Profit for the year	**665,576**	553,806

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 2019, the Group achieved a revenue of RMB8,414 million, representing an increase of RMB1,228 million or 17.09% compared to RMB7,186 million for the corresponding period of last year. Such increase was mainly attributable to the steady increase in the Company's revenue driven by the Company's commitment to design and investment, and the increment created by promoting the layout of the whole industrial chain of urban rail transit and the resource synergy.

An analysis of revenue by segment is as follows:

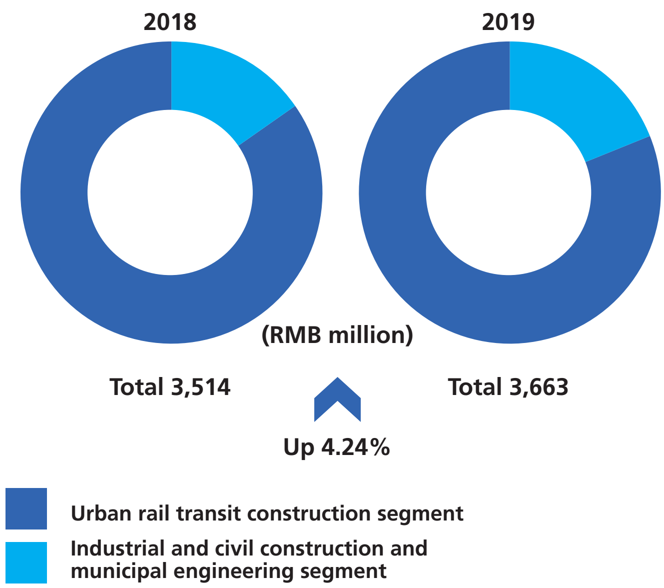
Products by industry	Year ended 31 December 2019 (RMB'000) Audited	2018 (RMB'000) Audited
Design, survey and consultancy	**3,662,649**	3,514,181
Construction contracting	**4,751,390**	3,671,965
Total	**8,414,039**	7,186,146

DESIGN, SURVEY AND CONSULTANCY BUSINESS SEGMENT

The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal engineering. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2019, the Group intensively developed existing markets by fully utilizing the technical advantages in the industry, consolidated its dominant status in urban rail transit design, properly performed existing contracts and focused on following up state-level new areas and third-tire and fourth-tire cities, and expanded its business into dozens of domestic and overseas cities, and improved the influence of its urban construction brand. The Company won the bids and contracted for a total of 7 overall design projects in Hangzhou, Shenzhen, Chengdu, Chongqing, etc.

For the year ended 31 December 2019, revenue of the design, survey and consultancy segment of the Group amounted to RMB3,663 million, representing an increase of RMB149 million or 4.24% compared to RMB3,514 million for the corresponding period in 2018. Among which, the revenue of the urban rail transit construction segment amounted to RMB3,002 million, representing an increase of RMB154 million or 5.41% compared to RMB2,848 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal engineering segment amounted to RMB661 million, representing a decrease of RMB5 million or 0.75% compared to RMB666 million for the corresponding period of last year.

Revenue distribution of the design, survey and consultancy business segment

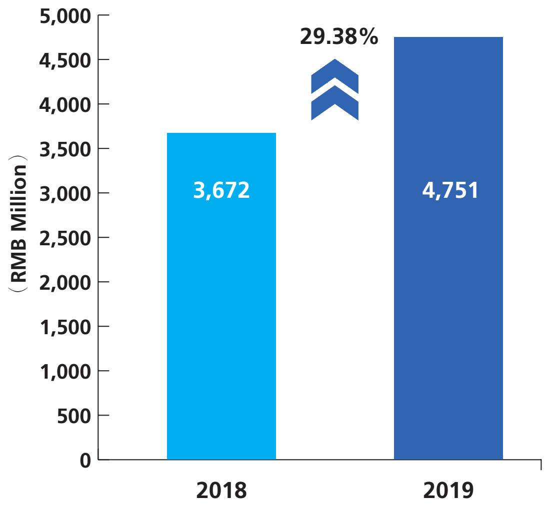


CONSTRUCTION CONTRACTING BUSINESS SEGMENT

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

For the year ended 31 December 2019, the Group's revenue from the construction contracting business segment was RMB4,751 million, representing an increase of RMB1,079 million or 29.38% compared to RMB3,672 million for the corresponding period of last year. Such increase was mainly attributable to the increase of the commencement construction volume of the Company's projects under construction in Beijing, Kunming and other cities as compared to the corresponding period of last year.

Revenue from the construction contracting business segment

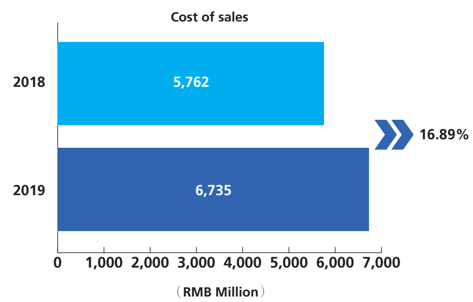


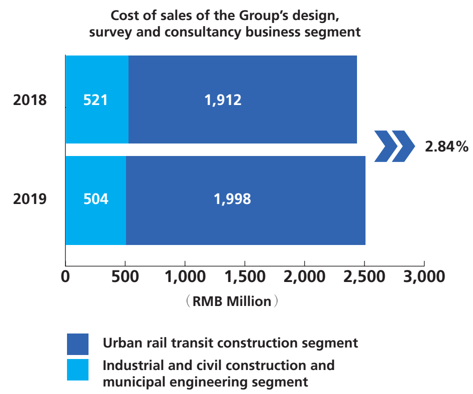
COST OF SALES

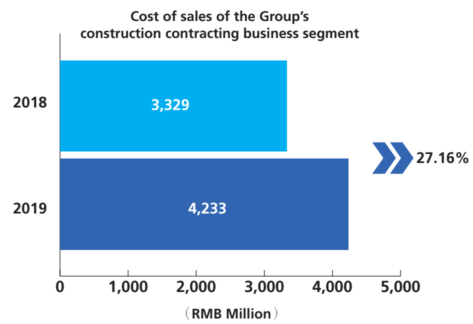
For the year ended 31 December 2019, the cost of sales incurred by the Group was RMB6,735 million, representing an increase of RMB973 million or 16.89%, while an increase of 17.09% in revenue, compared to RMB5,762 million for the corresponding period of last year. Such increase was mainly attributable to the Company's persistent efforts in enhancing cost control.

For the year ended 31 December 2019, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,502 million for the year from RMB2,433 million for the corresponding period of last year, representing an increase of 2.84%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB1,998 million for the year from RMB1,912 million for the corresponding period of last year, representing an increase of 4.50%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment decreased to RMB504 million for the year from RMB521 million for the corresponding period of last year, representing a decrease of 3.26%.

For the year ended 31 December 2019, the cost of sales of the Group's construction contracting segment increased to RMB4,233 million for the year from RMB3,329 million for the corresponding period of last year, representing an increase of 27.16%, lower than the increase of 29.38% in revenue.







GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2019, the gross profit of the Group was RMB1,679 million, representing an increase of RMB255 million or 17.91% compared to RMB1,424 million for the corresponding period of last year, while the consolidated gross margin of 19.95% was basically flat to that of 19.82% in last year.

The gross profit of design, survey and consultancy segment increased to RMB1,161 million for the current year from RMB1,081 million for the corresponding period of last year, representing an increase of RMB80 million or 7.40%. The gross margin was 31.70%, which was basically flat to that of the corresponding period of last year. The gross profit of the construction contracting segment increased from RMB343 million for the corresponding period of last year to RMB518 million for the current year, representing an increase of RMB175 million or 51.02%. The gross margin increased from 9.34% for the corresponding period of last year to 10.90% for the current year, which was mainly attributable to the increased proportion of the revenue generating from PPP engineering projects with higher gross margin in construction segment as compared to corresponding period of last year.

OTHER INCOME AND GAINS

For the year ended 31 December 2019, other income and gains of the Group were RMB382.92 million, representing an increase of RMB34.73 million or 9.97% compared to RMB348.19 million for the corresponding period of last year, which was mainly attributable to the increase in the interest income.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2019, selling and distribution expenses of the Group were RMB73.15 million, representing a decrease of RMB17.25 million or 19.08% compared to RMB90.40 million for the corresponding period of last year. The decrease in selling and distribution expenses was mainly attributable to the decrease in bidding costs and relevant costs incurred from bidding as a result of the reduction in the number of tendering projects in rail transit market.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2019, administrative expenses of the Group were RMB827.54 million, representing an increase of RMB116.83 million or 16.44% compared to RMB710.71 million for the corresponding period of last year, slightly lower than the increase in revenue. Such increase was mainly attributable to the increase in research and development expenditures of RMB59 million due to the Company's further increase in research and development expenditures in 2019, and the increase in management expense of RMB42 million due to the increase of branches for expansion of business.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

For the year ended 31 December 2019, the credit-impaired losses on financial assets of the Group amounted to RMB175.64 million, representing an increase of RMB90.52 million or 106.34% as compared to RMB85.12 million for the corresponding period of last year, mainly due to the increase in receivables and impairment losses on contract assets.

OTHER EXPENSES

For the year ended 31 December 2019, other expenses of the Group were RMB1.74 million, representing an increase of RMB1.64 million compared to RMB0.10 million for the corresponding period of last year. Such increase was mainly attributable to the increase in losses on disposal of non-current assets resulting from scrapping of machinery and equipment.

FINANCE COSTS

For the year ended 31 December 2019, finance costs of the Group were RMB232.06 million, representing an increase of RMB42.13 million or 22.18% compared to RMB189.93 million for the corresponding period of last year, which was mainly attributable to the accrual of interest expenses on lease liabilities according to IFRS 16 "Leases" and the increase in interest expenses due to the long-term borrowings of Anhui Jingjian Capital Construction Investment Co., Ltd. (安徽京建投資建設有限公司), Guizhou Jingjian Capital Construction Investment Co., Ltd. (貴州京建投資建設有限公司), Yunnan Jingjian Capital Construction Investment Co., Ltd. (雲南京建投資建設有限公司) and Huangshan Jingjian Capital Construction Investment Co., Ltd. (黃山京建投資建設有限公司), the subsidiaries of the Group.

INCOME TAX EXPENSES

For the year ended 31 December 2019, the income tax expenses of the Group were RMB104.34 million, representing a decrease of RMB28.79 million or 21.63% as compared to RMB133.13 million for the corresponding period of last year. Such decrease was mainly attributable to the decrease in unrecognized deductible losses.

PROFIT FOR THE YEAR

For the year ended 31 December 2019, the profit of the Group for the year was RMB666 million, representing an increase of RMB112 million or 20.22% compared to RMB554 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	
	2019 **(RMB'000)**	2018 (RMB'000)
Net cash inflows/(outflows) from operating activities	**1,420,570**	(710,614)
Net cash (outflows)/inflows from investing activities	**(1,259,287)**	227,729
Net cash (outflows)/inflows from financing activities	**(174,647)**	984,125
Net (decrease)/increase in cash and cash equivalents	**(13,364)**	501,240

The net cash inflows from operating activities in 2019 was RMB1,421 million, which was mainly attributable to the fact that the expenditure incurred from the later period of construction for PPP projects under construction decreased, the availability service fee of PPP projects under operation was recovered on schedule, and the collection efforts were also increased in 2019. The net cash outflows from investing activities was RMB1,259 million, which was mainly attributable to the increased investment of RMB1,088 million to joint ventures, associates and financial assets and an expenditure of RMB272 million for acquisition of fixed assets and intangible assets. The net cash outflows from financing activities was RMB175 million, which was mainly due to the receipt of long-term bank borrowings of RMB674 million for PPP projects of Guizhou Jingjian Capital Construction Investment Co., Ltd. and Huangshan Jingjian Capital Construction Investment Co., Ltd., the repayment of borrowings and interest expenses of approximately RMB602 million and the payment of dividends to shareholders of approximately RMB155 million for the year.

PLEDGE OF ASSETS

For the year ended 31 December 2019, the receivables and intangible assets of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 31 December 2019, the net pledged receivables and intangible assets were RMB5,591 million (as at 31 December 2018: RMB5,037 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2019, no letter of guarantee for associates' performance for projects undertaking was made and no outstanding balance of such guarantees was held by the Group.

CAPITAL COMMITMENT

The capital commitment of the Group as at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019 (RMB'000) (Audited)	31 December 2018 (RMB'000) (Audited)
Contracted, but not published:		
Property, plant and equipment	**221,665**	188,308
Equity investments	**3,657,648**	3,683,390

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 2019, the net current asset of the Group was RMB2,342 million, among which cash and cash equivalents amounted to RMB3,884 million. The liquidity of the Group was sound and healthy and the Group had adequate cash and available banking facilities to satisfy its operating needs.

For the year ended 31 December 2019, the Group's interest-bearing borrowings were RMB4,922 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 31 December 2019 divided by the total equity as at 31 December 2019) was 96.57%.

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 31 December 2019 and 31 December 2018. The Group generally settles the borrowings on time.

	31 December 2019 (RMB'000) (Audited)	31 December 2018 (RMB'000) (Audited)
Bank borrowings		
Pledged	**4,225,173**	3,894,225
Non-pledged	**118,958**	4,000
Other borrowings		
Non-pledged	**578,000**	708,400
	4,922,131	4,606,625

As at 31 December 2019, the Group's borrowings are all denominated in RMB, and bear interest at 3.98% to 6.525%.

The table below sets forth the maturity of the Group's debts as at 31 December 2019 and 31 December 2018:

	31 December 2019 (RMB'000) (Audited)	31 December 2018 (RMB'000) (Audited)
Within one year	**491,654**	508,400
Between one to two years	**478,000**	358,000
Between two to three years	**458,000**	358,000
Between three to four years	**478,000**	578,000
Between four to five years	**474,000**	358,000
Over five years	**2,542,477**	2,446,225
Total	**4,922,131**	4,606,625

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. The Group did not carry out hedging against exchange rate risk.

USE OF PROCEEDS

As of 31 December 2019, the Company utilized an aggregate of RMB738.35 million of the proceeds, among which RMB383.94 million was invested to supplement the design, survey and consultancy projects and construction contracting projects in relation to urban rail transit business, including an investment of RMB0.17 million in 2019; RMB184.60 million was invested 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, including an investment of RMB1.81 million in 2019; RMB73.83 million was used to improve the construction capabilities in relation to urban rail transit business, including an investment of RMB0.45 million in 2019; RMB22.15 million was used to build the information systems, of which, no proceeds was invested in 2019; RMB73.83 million was used to supplement the working capital, including an investment of RMB3.04 million in 2019.

As of 31 December 2019, all proceeds of the Company have been utilized for the purpose disclosed in the prospectus published by the Company on 25 June 2014.

EVENTS AFTER THE BALANCE SHEET DATE

Registration and Issuance of Medium-term Notes and Super Short-term Commercial Papers

In order to meet the operation and development needs of the Company, optimize the financing structure and effectively reduce the financing cost, the Company intends to apply to the National Association of Financial Market Institutional Investors for the registration of medium-term notes and super short-term commercial papers no more than RMB1 billion (inclusive) and no more than RMB1 billion (inclusive) respectively. The relevant resolutions have been approved by the first extraordinary general meeting of the Company in 2020.

Please refer to the circular of the Company dated 6 March 2020 and announcement of the Company dated 25 March 2020 for details of the registration and issuance of medium-term notes and super short-term commercial papers.

Proposed Extension of the Validity Period of the A Share Offering Plan and the Authorization Concerning the A Share Offering

On 25 March 2020, as the validity period of the issuance plan of application for the initial public offering of A shares and listing (the "**A Share Offering Plan**") and the authorization to the Board to handle the relevant matters of the application for initial public offering of A shares and listing at its absolute discretion (the "**Authorization concerning the A Share Offering**") will expire on 28 May 2020, in order to ensure the smooth process of the relevant work of application for the initial public offering of A shares and listing, the Company proposed to extend the validity period of the A Share Offering Plan and the Authorization concerning the A Share Offering for 12 months with effect from the date of approval at the 2019 annual general meeting, the first domestic shares class meeting in 2020 and the first H shares class meeting in 2020 of the Company.

For details of the above proposed extension of the validity period of the A Share Offering Plan and the Authorization concerning the A Share Offering, please refer to the announcement of the Company dated on 25 March 2020.

Proposed Amendments to the Articles of Association

On 25 March 2020 the Company proposed to revise the current Articles of Association in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Reply of the State Council on the Adjustment of the Provisions of the Notice Period of Convening General Meetings and Other Matters Applicable to Overseas Listed Companies based on the actual needs of the Company (the "**Revision**"). In view of the Revision and the actual need of the Company to apply for the initial public offering and listing of A shares ("**Listing of A Shares**"), the Company intends to simultaneously revise the Articles of Association of Beijing Urban Construction Design & Development Group Co., Limited (Draft), which shall be applicable after the A-share listing of the Company.

For details of relevant amendments, please refer to the announcement of the Company dated on 25 March 2020.

EMPLOYEES

As of 31 December 2019, the Group had approximately 4,282 employees, an increase of 1.28% as compared to mid-2019. Among them, approximately 63.4% are employees at headquarters and 36.6% are employees at subsidiaries. More than 53.8% of employees have served the Company for more than 5 years. The Company has 1 academician of the Chinese Academy of Engineering, 1 master of survey and design, 7 experts enjoying government subsidies. Middle and senior professional and technical personnel accounted for 60.7% of the total employees, and college graduates and above accounted for 90.4% of the total employees. In 2019, in order to select high-quality talents, the Company carried out professional academic exchange activities with a number of key universities such as Southeast University and Tongji University, and held onsite recruitment activities in such universities to recruit outstanding graduates. Meanwhile, the Company also committed to fully exploring the internal staffing potential through adopting the selection mechanism of "select personnel inside first, then outside" to address our demand for talents from social recruitment. The Company established and continuously improved the salary incentive system according to the characteristics of each business segment .

In each year, the Company selects and rewards the employees who make remarkable annual achievements and outstanding performance. In 2019, the Company forged ahead in the fierce market competition. Fruitful results have been achieved in various works of the Company and a series of inspiring major breakthroughs have been achieved and the Company possesses a bunch of 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 realism, pursuit of excellence" and to carry forward the corporate spirit of "ingenuity, responsibility, innovation, fighting will", as well as further motivate our staff to better accomplish the tasks for 2020, the Company selected 10 employees with outstanding performance and awarded them the 2019 President Incentive Bonus (院長獎勵基金), and selected 83 employees acting as role models and awarded them the 2019 Excellent Employees.

The Company attaches great emphasis to the staff development and cultivation. Staff training is conducted through our corporate university with the aims to establish a training system which adapts to the corporate development strategy and to build a learning organization. Staff is offered with both internal and external trainings. In respect of training contents, corporate university training course systems covering various specialties and levels under different training systems have been realized according to the business strategy development objectives and performance improvement needs of the Company and training needs of each unit, in four aspects, namely, course training direction, levels of trainees, related specialties and course training effects, and focusing on technical ability, project management, marketing management, management ability and general skills. 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 2019, guided by the talent training goals of the top-down strategy and the bottom-up performance, the Company's corporate university continued to attach importance to the development of management system, curriculum system and teacher system, key level training, and management platform optimization. In 2019, relying on the online management platform to uniformly manage the training of each unit of the Group and the Company, more than 1,000 trainings have been organized and completed; based on job qualifications and competence, company-level and professional-level corporate university curriculum systems have been established to determine the required training courses for employees in different positions; the Company strengthened key-level training, carried out a series of expert lectures, high-end training in international project management, and special training of "outstanding talents", and continued to consolidate the management training of young and middle-aged professionals and the training of new employees; the Company organized the first formal appointment of internal lecturers to complete a one-year training arrangement and hired more than 300 internal lecturers in the next year; the Company optimized and upgraded the training management platform to achieve multi-terminal login and resource sharing. In 2019, the Company's corporate university was recognized and funded by the "Talent Collective Project" of the Organization Department of the Beijing Municipal Party Committee.

RETIREMENT POLICY

To implement the spirit of "Implementation Plan on Divestiture of Social Obligations and Settlement of Historical Issues of State-Owned Enterprises of Beijing" (Jing Zheng Fa [2017] No.7)(《北京市剝離國有企業辦社會職能和解決歷史遺留問題實施方案》(京政發[2017]7號)) and "Measures for Handing over the Management of Retirees of Beijing Municipal State-Owned Enterprises to Local Social Security Bureau " (Jing Ren She Fu Fa [2017] No.201)(《北京市市屬國有企業退休人員移交屬地社保所管理工作辦法》(京人社服發[2017]201號)), the retirees of Beijing Urban Construction Design & Development Group Co., Limited who had completed retirement procedure had been handed over to their local social security bureau for social management purpose before the end of October 2019.

BID WINNING

In the context of changing domestic policies on the development of urban rail transit in 2019, the Company realized an aggregate winning bid amount of RMB11.705 billion as of 31 December 2019 by utilizing its industry advantages and technical strength and by expanding markets through coordination throughout the rail transit industry chain, including an aggregate winning bid amount of RMB4.536 billion and RMB7.169 billion from design, survey and consultancy business and construction contracting business, respectively. As of the end of the Reporting Period, contract value on hand amounted to RMB34.643 billion.

ASSESSMENT ON THE IMPACT OF THE COVID-19 PANDEMIC OUTBREAK

Since the outbreak of the COVID-19 pandemic in China in January 2020, the Company has proactively responded to and acted strictly upon various provisions and requirements made by the Party and governments at all levels against the pandemic. While making efforts to control and prevent the pandemic and to ensure the production, the Company and its branches and subsidiaries have resumed work since 3 February 2020 to bring its production back to order.

It is expected that the pandemic and relevant prevention and control measures will create certain impact on the Company's production and operation for the first quarter even the first half of the year, which depends on the developments of the pandemic prevention and control, duration and the implementation of the prevention and control policies in different regions.

The Company will continue to closely monitor the developments of the pandemic, and evaluate and proactively address its impact on the financial condition and operating results of the Company.

COMPANY-WIDE MANAGEMENT MEASURES IN 2020

In 2020, the domestic economy will be under significant downward pressure, facing changes amid overall stability. The Company will make every effort to overcome the adverse effects of the COVID-19 pandemic. It will unswervingly stick to the core task of achieving high-quality and high-standard development. It will bring its development to a new height by further expanding design consulting, strengthening engineering general contracting, actively expanding new business, and making itself a propeller for new technology R&D and an incubator for transformation of R&D results.

The Company's specific management measures in 2020 include the following five areas:

1. Expanding design consultation to solidify the foundation for development

The Company will maintain its leading position in the rail transit design industry by conducting coordinated marketing, exploring new systems, vigorously developing new businesses such as city express, inter-city railway and trams, and actively expanding new markets; it will implement key projects in a high-quality and efficient manner, and ensure that "guaranteeing opening" projects can smoothly open to traffic; it will make full use of its comprehensive advantages of being a Class A designer to continue to extend design scope, to continue to improve civil construction and municipal design business, and to strengthen new products such as military-civilian integration, integrated development of vehicle depots, and water environment management; it will accelerate the pace of international business development, and create a new prospect for development of international markets; it will maintain its leading position in survey business, and promote the rapid growth of smart engineering, environmental engineering, structural testing, safety consulting and other services; it will promote all-field design, accelerate regional construction, implement unified and intensive operations, and improve competitiveness in regional markets and the ability to fulfill contracts; it will further advance the management of virtual legal persons, continuously improve the independent operation capability of accounting institutions, and further stimulate production vitality and market potential.

2. Strengthening engineering general contracting to enhance scale support

Key projects are being advanced in an orderly manner. The Company will keep on expanding key accounts, large regions, and large projects by giving full play to the advantages of integration of entire industrial chain; it will stick to contract performance marketing to improve profitability, and to keep existing market share and increase new market share; it will expand the proprietary technology-oriented EPC market, and actively track potential projects such as cross-rail transit projects, existing line renovation, rail laying, maintenance, disaster prevention and mitigation to promote its performance to a new level.

3. Focusing on business innovation to promote enterprise upgrades

Based on its advantages of integration of the entire urban rail transportation industry chain, the Company will focus on innovation and development strategies, accelerate the integration of technology and capital, promote the integration of resources and models, and constantly introduce new models, new products, new services, and new values; it will promote innovation in investment and financing business models, and focus on urban rail transit investment projects while giving consideration to transportation hubs, traditional municipal infrastructure and comprehensive pipeline corridor projects; it will promote the coordinated development of the entire industrial chain; it will promote the innovation of the technological industrialization system and strengthen the development of business models and sales channels. The Company will continue to conduct the research, development, upgrade and marketing of "Jinlongyun" systems, trams, and light rail vehicle systems. It will promote combined innovation in all-field operation and maintenance. It will adhere to self-reform and innovation, and build up its capacities across the whole industrial chain from rail transit to infrastructure, municipal roads, home ownership operations and cultural innovation, forming an all-field management and business operation and maintenance team.

4. Comprehensively enhancing scientific and technological strength to build an innovation-driven engine

Technology Research Institute enhances science and technology leadership: it will focus on innovation and development, and lead and combine the one room, one station, and six center resources to carry out four central tasks: science and technology innovation, technical service, results incubation, and talent training. It will make every effort to build an innovative R&D system. It will accelerate technological R&D and results transformation, and create a market-oriented enterprise technology innovation platform and results incubator and propeller.

Cloud platform construction enhances knowledge innovation: combined with the in-depth implementation of new three-year plan for BIM design and the collaborative design platform, it will build a future-oriented enterprise knowledge management system which can help improve the efficiency of core business operations and enhance traditional business service value.

Industry construction continues to increase its influence: it has been professionally operating academic conferences such as the China Urban Rail Transit Key Technology Forum, Beijing International Rail Transit Exhibition and Summit, and the Design Advisory Committee Annual Meeting, as well as the China Urban Rail Transit Network, making good use of industry resources to serve the steady development of main business and to continuously improve its influence in the industry.

5. Comprehensively upgrading management methods to ensure leapfrog development

The Company will step up efforts to advance the A-share IPO to expand corporate financing channels, and to use this as an opportunity to continuously improve internal control and management; it will prepare its 14th Five-Year Development Plan, improve the external investment management system, high-tech enterprise maintenance management system, as well as the organization evaluation system; it will strengthen long-term accounts receivable collection and further enhance cost awareness; it will improve the cost control system, and comprehensively promote refined cost management; it will comprehensively promote the standardization of business management, and improve the internal economic order system; it will optimize collaborative marketing and internal priority rules, and strengthen internal assessment and internal arrears clearance; it will strengthen fund plan management, standardize project accounting, improve financial internal control, and promote informatization of financial management; it will expand channels for the introduction of high-end talents, accelerate the upgrading and construction of corporate colleges, and promote the use and optimization of human resource sharing platforms; it will continuously improve the level of group-level management by means of informatization construction, organ capacity building, and internal control management.

ESTABLISH URBAN RAIL TRANSIT

According to the China Association of Metros (中國城市軌道交通協會), as of 31 December 2019, there was an aggregate operating rail transit distance of 6,730.27 km in 40 cities in mainland China. In 2019, six more cities in the mainland China had urban rail transit in operation, including Wenzhou, Jinan, Lanzhou, Changzhou, Xuzhou and Hohhot. Another 27 cities have new lines (sections) in operation, with 26 lines in operation newly added, and 24 extensions or sections opened, with a total length of 968.77 km. The urban rail transit lines of 968.77 km newly added in 2019 involved three modes, including 832.72 km of subway, 59.11 km of inner-city rapid rail transit and 76.94 km of modern tram.

In 2019, only a new round of urban rail transit construction planning in Zhengzhou, Xi'an and Chengdu obtained approval. The total length of the newly approved construction planning lines was 486.25 km, with a total investment of RMB342.578 billion, and all the approved lines are subways. In addition, the adjustment to the construction planning scheme for phase II of Beijing urban rail transit was approved, and the lines of the projects involved in this adjustment were 201.2 km long, with a total investment of RMB122.212 billion.

Amid the mounting development pressure facing the urban rail transit industry in 2019, the Company maintained its leading position in the industry. The Company secured 7 general contracting projects, including Hangzhou line 3 north extension and Beijing Winter Olympics branch line in terms of urban rail transit design, continuing to maintain a leading market share.

CIVIL CONSTRUCTION

With the development of economy and the demand for energy saving and environment protection, an array of new technologies, such as green building technology, the application of green materials, and smart building solutions, are widely used in engineering practice, and market's demand for energy-saving and eco-friendly design has shifted to practical from theoretical. The Company continued to improve its design products based on its own features that have formed and differentiated from general civil construction market, such as rail transit vehicle base and comprehensive property development above metro station, integrated development of urban underground space, rail transit metro station decoration and other design fields. Moreover, the Company looked to enhance campus planning of civil buildings and the business in such fields as campus buildings, green and energy-efficient buildings, smart city, residential and prefabricated buildings and public buildings through special research.

PPP

In 2019, affected by the macroeconomics, domestic fixed assets investment continued to decline, and the growth rate of infrastructure investment experienced a further slowdown. The PPP infrastructure market was also affected, showing a downward trend. In 2019, the Ministry of Finance, the State Council, the National Development and Reform Commission of the PRC and multiple departments jointly issued the Opinions on Promoting the Normative Development of Public – Private Partnership by the Ministry of Finance (Cai Jin [2019] No.10) (《財政部關於推進政府和社會資本合作規範發展的實施意見》(財金[2019]10號文)), Government Investment and Financing Ordinance (Order of the State Council No.712) (《政府投融資條例》(國務院令第712號文)), the Notice on Strengthening the Investment and Construction Management of PPP Projects According to Laws and Regulations (Fa Gai [2019] No. 1098) (《關於依法依規加強PPP項目投資及建設管理的通知》(發改[2019]1098號文)) and other policy documents, having a profound impact on the PPP market under high pressure of rectification and standardization. In 2020, with the introduction and improvement of the PPP Provisions and the Operation Guide for the Government and Social Capital Cooperation Model (revised version) (《政府和社會資本合作模式操作指南(修訂稿)》) and relevant policy documents, PPP market will step into a mature phase, therefore, standardization and high quality will become a market norm.

RAIL TRANSIT IN COORDINATION WITH INNOVATION CONSTRUCTION

In 2019, the Company comprehensively carried out technology innovation R&D and services and made a series of science and technology R&D achievements, so as to comprehensively enhance the Company's science research and technology level, and serve the Company's entire industrial chain layout, thus formed a science and technology innovation system which integrates science research management, technology R&D and achievement-making, the construction of technology innovation platforms, expert service and talent cultivation.

INDUSTRIALIZATION OF SCIENCE AND TECHNOLOGY

On 16 October 2019, Beijing issued "Several Policies and Measures on Deepening the Reform of the Science and Technology System in the New Era and Accelerating the Construction of National Science and Technology Innovation Centres" (referred to as "30 Articles for Science and Innovation") (《關於新時代深化科技體制改革加快推進全國科技創新中心建設的若干政策措施》("科創30條")) to create new competitive advantages for enterprises in Beijing, provide policy, environmental and funding guarantees and promote innovation and breakthroughs in a large number of principal areas. In 2019, the Company took the lead in deploying the cloud market of urban rail with a large first-mover advantage. The industrialization of the station intelligent all-in-one that has been successfully developed and the urban rail cloud overall solution are the Company's most distinctive and competitive advantages in the current market.

COMPREHENSIVE WATER ENVIRONMENT IMPROVEMENT PROJECT

At the end of 2018, the General Office of the State Council issued "Guiding Opinions of the General Office of the State Council on Continuing to Make up for Shortcomings in the Infrastructure Field" (《國務院辦公廳關於保持基礎設施領域補短板力度的指導意見》), which clearly pointed out that local governments need to speed up the treatment of black and odorous waters, support the comprehensive treatment of water environment in major river basins, and at the same time solidly promote the three-year action for the improvement of rural residents settlements, support the rural toilet improvement work, promote the construction of rural domestic garbage and sewage treatment facilities, and promote the comprehensive construction of villages. At the same time, the Ministry of Housing and Urban-Rural Development of the PRC also emphasized that in 2019, it is necessary to focus on "Improving the Disaster Prevention Capabilities of Urban Infrastructures and Building Constructions" and strive to improve urban carrying capacity and systemization.

URBAN AND RURAL PLANNING AND ARCHITECTURAL CREATION

With the institutional reform of urban and rural planning authorities at all levels, the national urban and rural planning has entered a new era of "land space planning", and cities in various regions have entered a more refined and qualitative development stage. On the one hand, land and space planning has further strengthened the rigid control and policy-leading role of the plan; on the other hand, shed reform, old community renovation, and street improvement have further strengthened the implementation and completion of the plan; and the responsibility planner system allows planning to enter the streets and the grassroots, which strengthens the participation of the public. The planning market shows two hot phenomena. One is "land space planning", which is about to enter the stage of large-scale compilation throughout the country; the other is a plan for upgrading the existing planning, such as street improvement, integrated updating design of the station area, and rural revitalization.

GENERAL CONTRACT FOR ENGINEERING

As of October 2019, there are 28 cities under construction and about to prepare for the construction of rail transit projects. There are 6 types of tendering modes adopted by owners, which are divided into traditional contracting mode, general contract for construction of large section mode, PPP mode, general contract for construction of large section mode + PPP mode, PPP + TOD mode and EPC mode. Traditional contracting mode was adopted in five cities, including Beijing and Hangzhou, accounting for approximately 18%; general contract for construction of large section mode was applied in 14 cities, including Changchun, Chengdu, Qingdao and Zhengzhou, accounting for approximately 50%; PPP mode was used in 6 cities, including Wuhan, Taiyuan and Shijiazhuang, accounting for approximately 22%; general contract for construction of large section mode + PPP mode was employed in Tianjin, accounting for approximately 4%; EPC mode was used in Changsha, accounting for approximately 4%; PPP + TOD mode was adopted in Chongqing, accounting for approximately 4%. From the above statistics, it can be seen that 80% of the total number of cities adopting the general contract for construction of large section mode and the PPP mode, and local governments tendering in these two modes explicitly require or prefer the completion of construction by central enterprises.

INVESTMENT CONSTRUCTION MANAGEMENT

In 2019, the orientation of industrial policy is to cultivate and develop emerging industries, transform and upgrade traditional industries, vigorously develop modern service industries, and support the development of green industries. At the same time, it emphasizes the development of industrial integration, including the integration of manufacturing and service industries, the integration of the digital economy and the real economy, and the integration of first, second, and third industries in rural areas. The purpose is to break the original boundaries between the industries, so that the entire industries' supply system and supply quality can better meet the people's needs for a better life.

According to data from the Ministry of Finance, in 2019, local governments have issued local debt of RMB4,362.4 billion, of which new local debt exceeded RMB3 trillion for the first time, and local refinancing bonds used for borrowing and repaying broke through RMB1 trillion for the first time, and more than RMB100 billion of replacement bonds were included. According to the anticipation of relevant agencies and experts, there is no doubt that the scale of local debts will exceed RMB5 trillion in 2020. The State Council encourages special debt to be invested in transportation infrastructures (such as railways, rail transit, urban parking lots), energy projects (such as urban and rural power grids, natural gas pipeline networks, and gas storage facilities), ecological protection projects (such as agriculture, forestry and water conservancy, urban sewage treatment). Overall, China's investment in infrastructure still has much room for improvement and potential. The Company seized the government's counter-cyclical adjustments, increased the investment environment for infrastructure construction, planned ahead and carried out market tracking of existing and newly approved rail transit projects.

DIRECTORS

Executive Directors

Mr. Wang Hanjun (王漢軍), aged 55, is an executive Director, general manager and deputy party secretary of the Company. He has been the president, deputy party secretary and Director of the Company (the predecessor of which is Beijing Urban Construction Design & Research Institute) since May 2011 and was appointed as an executive Director and general manager of the Company on 28 October 2013. Mr. Wang worked for the First Branch of Beijing Urban Construction No. 3 Corporation (北京城建三公司一分公司), which is primarily engaged in engineering construction, from July 1988 to March 1994. He was the manager of Second Project Department of Beijing Urban Construction Yatai Co. (北京城建亞泰公司) from March 1994 to December 1994, and was the deputy manager of Beijing Urban Construction Yatai Construction and Engineering Co., Limited (北京城建亞泰建設工程有限公司), which is primarily engaged in engineering construction, from December 1994 to November 2003. Between November 2003 and August 2004, he served as a director, deputy chairman, manager and deputy party secretary of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司). He was a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) from August 2004 to October 2004, and concurrently acted as director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited, and director and chairman of the board of Beijing Donghu Real Estate Co. (北京市東湖房地產公司), which is primarily engaged in real estate development, from October 2004 to May 2006. He continued to act as a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited from May 2006 to October 2007. From October 2007 to December 2007, he held the position of manager of Beijing Urban Construction Xincheng Investment & Development Co., Limited (北京城建新城投資開發有限公司), a subsidiary wholly-owned by BUCG primarily engaged in real estate investment. Then he worked as its manager and director from December 2007 to July 2012. Mr. Wang graduated from Tsinghua University with a bachelor's degree of engineering in water resources and hydropower engineering and construction in July 1988. Mr. Wang was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2015 and obtained the qualification of grade-one constructor from the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) in February 2005.

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

Mr. Li Guoqing (李國慶), aged 53, is an executive Director, deputy general manager and party secretary of the Company. Mr. Li has been working for the Company since July 1990. He held the position of the secretary of Youth League Committee (團委書記) of the Company from April 1993 to August 1998 and was the vice president of Metro and General Municipal Institute (地鐵市政院) of the Company from August 1998 to September 1999. He worked as the vice president of the Company from September 1999 to March 2001, and was the party secretary and vice president of the Company from March 2001 to November 2002. He has been the party secretary, vice president and Director of the Company since November 2002, during which he also held the position of general manager in China Metro Engineering Consulting Co., Ltd., which is primarily engaged in engineering consultancy, between September 2006 and May 2012. Mr. Li obtained a bachelor's degree in engineering majoring in heating, ventilation and air conditioning from Tsinghua University in July 1990. He obtained a master's degree and a doctor's degree of engineering both majoring in heating, gas, ventilation and air conditioning engineering from Tianjin University in March 2009 and June 2012, respectively. He was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2005. He obtained his certificate of PRC registered utility engineer (中國註冊公用設備工程師) from the Ministry of Housing and Urban-Rural Development in October 2010. Mr. Li was a representative of the 15th and 16th People's Congress of Xicheng District, Beijing.

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

Non-executive Directors

Mr. Pei Hongwei (裴宏偉), aged 52, is the chairman and a non-executive Director of the Company, and currently the director, general manager, deputy secretary of Party committee of Beijing Urban Construction Group Co., Ltd. Mr. Pei was appointed as non-executive Director and chairman of the Company since December 2019. Mr. Pei had successively served as the cadre of Beijing-Shijiazhuang Highway Administration Institute of Beijing Highway Bureau (北京市公路局京石公路管理所) and assistant to the head of mechanized line from August 1989 to November 1993. He worked successively as the deputy head of mechanized engineering line, assistant to the chief, assistant to the chief and head of management division and deputy chief (section level) of Beijing-Shijiazhuang Division of Beijing Highway Bureau (北京市公路局京石分局) from November 1993 to August 2000; successively served as the deputy director and director of preliminary work department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司) from August 2000 to April 2006; the assistant to the general manager of Beijing Road and Bridge Construction Corporation (北京市公路橋樑建設公司) from April 2006 to January 2007. He successively served as the director and general manager of Beijing Road and Bridge Construction Group Co., Ltd. (北京公路橋樑建設集團有限公司) from January 2007 to June 2007, and successively served as the director and general manager of Beijing Municipal Road and Bridge Construction Holding (Group) Co., Ltd. (北京市政路橋建設控股(集團)有限公司) from June 2007 to November 2011. He successively served as the general manager, vice chairman and chairman of Beijing Municipal Road and Bridge Group Co., Ltd. (北京市政路橋集團有限公司) from November 2011 to November 2019. He served as the director, general manager and deputy secretary of Party committee of Beijing Urban Construction Group Co., Ltd. since November 2019. Mr. Pei graduated from the Department of Civil Engineering of Southeast University (東南大學) majoring in highway and urban roads engineering in August 1989, and graduated from the Faculty of Architecture Engineering at Beijing University of Technology (北京工業大學) with a master's degree of engineering in transportation planning and management in June 2002. Mr. Pei was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in September 1999 and obtained the qualification of grade-one constructor from Beijing Municipal Bureau of Personnel (北京市人事局) in April 2006.

Mr. Tang Shuchang (湯舒暢), aged 59, is a non-executive Director of the Company, and the assistant to the general manager of Beijing Urban Construction Group Co., Ltd. Mr. Tang was appointed as non-executive Director of the Company since November 2014. Mr. Tang worked as an assistant to the logistics department in Army 00092 of Infrastructural Engineering Brigade (基建工程兵零零零九二部隊) from December 1978 to July 1983; the officer of the finance division of Beijing Urban Construction No. 4 Corporation (北京城建四公司) from August 1983 to April 1991; the cost accountant of the finance department of Beijing Urban Construction Engineering Corporation from April 1991 to June 1995; the deputy head of the asset department of BUCG from June 1995 to June 1998; he has been the head of the capital management department of BUCG from June 1998 to August 2016; an assistant to the general manager of BUCG since March 2011; the supervisor and chairman of the board of supervisors of Beijing Urban Construction Investment Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) since July 2002. Mr. Tang graduated from Central College of Finance and Economics (中央財經學院) majoring in infrastructure finance and credit in July 1988; he was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 1999.

Ms. Wu Donghui (吳東慧), aged 50, is a non-executive Director of the Company and the assistant to the general manager of Beijing Urban Construction Group Co., Ltd. Ms. Wu was appointed as non-executive Director of the Company since August 2018. Ms. Wu served as a budget clerk of the infrastructure division of Beijing Lianjiao Chemistry Factory (北京煉焦化學廠) from August 1991 to July 1993. She served as a member of the budget division of Beijing Urban Construction No. 3 Corporation (北京城建三公司) from July 1993 to May 1994. She served as a member of the budget division of Beijing Urban Construction Yatai Co., Ltd. (北京城建亞泰公司) from May 1994 to July 1997. She successively served as member of the operating division of engineering contracting department, member of the marketing department, deputy chief project economist, deputy head of the bidding division of engineering department, deputy manager and chief economist of the construction engineering general contracting department and head of the corporate management department of BUCG from July 1997 to March 2011; the deputy chief economist and the director of the enterprise management division of BUCG from March 2011 to January 2018; the deputy chief economist of BUCG from January 2018 to July 2018. She has served the current positions since August 2018. Ms. Wu obtained a bachelor's degree of engineering majoring in infrastructure management engineering from Tianjin University (天津大學) in July 1991, obtained a master's degree in economics from Central University of Finance and Economics (中央財經大學) majoring in national economics in March 2001 and obtained a master's degree in business administration from Guanghua School of Management of Peking University (北京大學光華管理學院) in July 2011. Ms. Wu was qualified as a professional senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會) in May 2018, obtained the qualification of cost engineer of Ministry of Housing and Urban-Rural Development in October 1997, obtained the qualification of corporate legal advisor of Ministry of Justice in October 2011 and obtained the qualification of certified public valuer of Ministry of Finance in September 2013.

Mr. Guan Jifa (關繼發), aged 54, is a non-executive Director, and is the deputy general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司). Mr. Guan was appointed as non-executive Director of the Company since January 2016. From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Province Metallurgical Design and Planning Institute (黑龍江省冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban Construction No. 3 Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd. (北京京創投資有限公司) from January 2008 to March 2010. He has successively served as the general manager, assistant to the general manager and deputy general manager of the land development business department of Beijing Infrastructure Investment Co., Ltd. since March 2010. He has been a non-executive director of BII Railway Transportation Technology Holdings Company Limited (a company listed on Hong Kong Stock Exchange, Stock Code: 1522) since October 2015. He has been the secretary of the Party committee and the chairman of Beijing Railway Traffic Technology Equipment Group Co., Ltd. (北京軌道交通技術裝備集團有限公司) since July 2017. Mr. Guan obtained a bachelor's degree majoring in mining engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1987. From August 1992 to June 1994, he studied at Northern Jiaotong University (北方交通大學), majoring in railway engineering. From April 2002 to July 2004, he took an MBA course at University of International Business and Economics in China (對外經濟貿易大學) through on-the-job learning. In January 2009, he obtained a doctorate degree majoring in civil engineering construction and management from Xi'an University of Architecture and Technology (西安建築科技大學). Mr. Guan was awarded a senior engineer qualification by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999. Mr. Guan was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2019.

Mr. Ren Yuhang (任宇航), aged 44, is a non-executive Director of the Company, and the secretary of the board of directors (ranked as assistant to general manager) and general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Ren was appointed as non-executive Director of the Company since August 2018. Mr. Ren served as an engineer, a league officer and a cadre of the organization department of Henan Electric Thermal Power No.1 Company (河南省電力公司火電一公司) from July 1996 to September 2003. He served as the project manager of assets operation department of Beijing Infrastructure Investment Co., Ltd. from March 2008 to December 2009; served as secretary to the general manager of Beijing Infrastructure Investment Co., Ltd. from December 2009 to March 2011; served as assistant to the manager of the assets management department of Beijing Infrastructure Investment Co., Ltd. from March 2011 to October 2011; served as the deputy manager of the finance planning department of Beijing Infrastructure Investment Co., Ltd. from October 2011 to August 2013; served as deputy manager of the finance planning department (person-in-charge) of Beijing Infrastructure Investment Co., Ltd. from August 2013 to August 2014; general manager of finance planning department of Beijing Infrastructure Investment Co., Ltd. from August 2014 to December 2016. He has served as the general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. since January 2017. He has acted as the secretary of the board of directors (ranked as assistant to general manager) and general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. since January 2019. He has served as a non-executive director of BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司) (a company listed on the Hong Kong Stock Exchange, Stock Code: 1522) since February 2017. He has served as a director of Traffic Control Technology Co., Ltd. (交控科技股份有限公司) (a company listed on the science and technology innovation board, stock code: 688015) since March 2017. Mr. Ren obtained a bachelor's degree majoring in thermal energy and power engineering from the department of thermal energy and power engineering of Wuhan University (武漢大學) in July 1996 and obtained a doctorate degree majoring in corporate management from School of Economics and Management of Beijing Institute of Technology (北京理工大學經管學院) in March 2008. Mr. Ren was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2011.

Mr. Su Bin (蘇斌), aged 53, is a non-executive Director of the Company, and the deputy general manager of Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) ("MTR Corporation"). Mr. Su was appointed as non-executive Director of the Company since October 2013. Mr. Su has been serving at the Ministry of Railways and in charge of the technical and management work for several years since July 1988. He acted as the chairman and secretary of the Party Committee of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the "No. 3 China Railway") from October 2001 to February 2003, the deputy supervisor and chief engineer of Beijing headquarter of the No.3 China Railway from February 2003 to July 2003, and the supervisor of Jijie-Mongolia highway construction headquarter of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at MTR Corporation from December 2003 to May 2008 and successively served as the deputy secretary and general manager of Beijing Metro Line 5 project management office, and the secretary of Beijing Metro Line 10 project management office. Mr. Su has been the deputy general manager of MTR Corporation since May 2008. Mr. Su obtained his bachelor's degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master's degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a professor-level senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2006.

Mr. Yu Xiaojun (郁曉軍), aged 56, is a non-executive Director of the Company and a director of the planning and design department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司). Mr. Yu was appointed as non-executive Director of the Company since August 2018. Mr. Yu worked for Highway No. 1 Bureau of Ministry of Transport (交通部公路一局) from August 1983 to January 1995 and successively served as a worker of engineer division of No.1 Department, worker of the Burundi project management division, deputy manager and chief engineer of the Shanghai-Nanjing highway project division. He worked for Highway No. 1 Bureau of Road and Bridge Corporation (路橋集團公路一局) from January 1995 to February 2001 and successively served as the chief engineer of No.5 Company and deputy chief of the business development division. He has worked for Beijing Gonglian Highway Connect Line Co., Ltd. which is principally engaged in the construction and management of urban road and facilities, since February 2001, and served as the director of the planning and design department. Mr. Yu obtained a bachelor's degree in engineering from Nanjing Institute of Technology (南京工學院) majoring in highway engineering in August 1983 and obtained a master's degree in management from Renmin University of China (中國人民大學) majoring in business administration in August 2001. Mr. Yu was qualified as a professor-level senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in November 2012.

Mr. Ren Chong (任崇), aged 45, is a non-executive Director of the Company, and the executive deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. (北京忠誠恒興投資管理有限公司) and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren served as a Supervisor of the Company from October 2013 to August 2018 and was appointed as non-executive Director of the Company since August 2018. Mr. Ren started to work in 1996, and he has more than ten years of industrial investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture 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 executive deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. (北京忠誠恒興投資管理有限公司), which is primarily engaged in investment management business, and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)), which is primarily engaged in non-securities investment, investment management and consultancy since March 2012. Mr. Ren obtained a bachelor's degree of engineering majoring in metal material and processing from Central South University of Technology (中南工業大學) in June 1996 and a master's degree of management majoring in enterprise management from Nankai University (南開大學) in June 2004.

Independent Non-Executive Directors

Mr. Wang Dexing (王德興), aged 73, is an independent non-executive Director of the Company. Mr. Wang was appointed as independent non-executive Director of the Company since November 2014. 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 was 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.

Mr. Ma Xufei (馬旭飛), aged 46, is a non-executive Director of the Company, and currently a professor (tenure) and a doctoral tutor at the Department of Management of the College of Business of City University of Hong Kong. Mr. Ma was appointed as independent non-executive Director of the Company since December 2019. Mr. Ma obtained a bachelor's degree in engineering from the School of Management of Xi'an Jiaotong University in 1995 and then worked in Sinochem Corporation (中國中化集團) from 1995 to 2001. Mr. Ma obtained an MBA degree from the School of Business of University of Saskatchewan in Canada in 2003, and obtained a doctoral degree from the Department of Business Policy of the College of Business of National University of Singapore in 2007. Mr. Ma taught at the Department of Management of the College of Business of Chinese University of Hong Kong from 2007 to 2018, and acted as the director of the Entrepreneurship Research Center and International Business Research Center of Chinese University of Hong Kong. He joined City University of Hong Kong in 2018, and currently acts as a professor (tenure) and a doctoral tutor at the Department of Management of the College of Business of City University of Hong Kong. Mr. Ma obtained his qualification approval from the China Banking Regulatory Commission Shaanxi Office in 2016, and has been acting as an independent director of Western Trust Co., Ltd. (西部信託有限公司) since 2016.

Mr. Sun Maozhu (孫茂竹), aged 60, is an independent non-executive Director of the Company. Mr. Sun was appointed as independent non-executive Director of the Company since December 2013. He obtained a bachelor's degree of economics majoring in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree of economics majoring in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr. Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by China Securities Regulatory Commission and School of Economics & Management of Tsinghua University (清華大學經濟管理學院), and obtained the qualification certificate of independent directors in June 2002 and currently serves as a director for Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司). Mr. Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 52, is an independent non-executive Director of the Company. Mr. Liang was appointed as independent non-executive Director of the Company since December 2013. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the Research Centre on Transport and Environment of the School of Civil Engineering of Beijing Jiaotong University. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor degree of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master's degree of science in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctorate degree of engineering in civil structural engineering from Dalian University of Technology. In December 1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Northern Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the 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).

Mr. Qin Guisheng (覃桂生), aged 61, an independent non-executive Director of the Company, currently serves as the partner lawyer of Zhongkai & Partners Attorneys at Law (北京市中凱律師事務所). Mr. Qin was appointed as independent non-executive Director of the Company since August 2018. He worked in the General Office of the Ministry of Justice for a long period of time after July 1986, serving as a secretary at the deputy director level and at the director level, engaged in research and secretarial work. After entering Zhongkai & Partners Attorneys at Law in February 1996, he has successively served as a lawyer, partner lawyer and principal lawyer. He served as the principal lawyer of Zhongkai & Partners Attorneys at Law from 2010 to February 2019. He served as an independent director of Beijing Wangfujing Department Store (Group) Co., Ltd. (北京王府井百貨(集團)股份有限公司) from May 2010 to April 2013, and has served as an independent director of Guizhou Tyre Co., Ltd. (貴州輪胎股份有限公司) since 2015. Mr. Qin graduated from Northwest University of Political Science and Law in Shaanxi Province (陝西省西北政法學院) in 1983 with a bachelor's degree in law. He graduated from Graduate School of China University of Political Science and Law in Beijing (北京中國政法大學研究生院) in 1986 with a master's degree in law. He is currently a part-time director of the Real Estate Branch of the Beijing Law Society (北京市法學會房地產分會), and the vice president of Beijing Quality and Technology Supervision Law Application Association (北京市質量技術監督法應用協會).

SUPERVISORS

Mr. Hu Shengjie (胡聖傑), aged 47, is a Supervisor of the Company and the chairman of the Board of Supervisors, and currently the head of the Department of Board Secretary of Beijing Urban Construction Group Co., Ltd. Mr. Hu was appointed as Supervisor of the Company and the chairman of the Board of Supervisors since December 2019. Mr. Hu served as an employee in the publicity department of Beijing Urban Construction Road and Bridge Group Co., Ltd. (北京城建道橋公司) from July 1995 to December 1996, a newspaper reporter of Beijing Urban Construction Group Co., Ltd. from December 1996 to October 2003, and an office staff of the National Stadium project department of BUCG from October 2003 to September 2004. Mr. Hu has successively served as an employee in the publicity department, an employee and deputy director in the manager's office, and the head of the Department of Board Secretary of BUCG since September 2004. Mr. Hu graduated from Renmin University of China (中國人民大學) in July 1995 with a bachelor degree, majoring in Chinese Linguistic Literature. Mr. Hu studied in the Law School of Renmin University of China for master's degree in law from September 1999 to July 2002, and obtained the national legal professional qualification certificate in 2002. He was qualified as a senior administration engineer by Office of the Leading Group of Qualification Conference of Ideological and Political Works of the Organization Department of Beijing Municipal Committee in 2008 (北京市委組織部思想政治工作專業職務評定工作領導小組辦公室).

Ms. Nie Kun (聶崑), aged 48, is a Supervisor of the Company, and the first chairman of the supervisory committee of Beijing Urban Construction Group Co., Ltd. Ms. Nie was appointed as the Supervisor of the Company since October 2013. Ms. Nie was engaged in accounting work in the Fifth Branch of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from July 1992 to March 1996. She was the chief officer of the Fifth Branch of the Second Beijing Urban Construction Engineering Company Limited from March 1996 to March 1997. She was a staff of the audit department of the Second Beijing Urban Construction Engineering Company Limited from March 1997 to October 1999; a staff of the finance department of BUCG Xinye Company from October 1999 to April 2000. Since April 2000, she has served as a staff of the first unit of the audit department, a deputy head of the audit and investigation department, the head of the finance department and the first chairman of the supervisory committee of BUCG. She obtained a bachelor's degree of economics in investment economic management from the Central Institute of Finance (中央財政金融學院) in June 1992. She obtained a professional accountant certification from the Beijing Municipal Bureau of Finance (北京市財政局) in September 1995, and was recognised as a qualified internal auditor by China Association of Internal Audit (中國內部審計協會) in December 2003. She was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in January 2005. She became a non-practicing member of Chinese Institute of Certified Public Accountants in September 2010.

Mr. Liang Wangnan (梁望南), aged 45, is a Supervisor of the Company, and currently the general manager of the second fund investment department of State-owned Capital Operation and Management Center of Beijing. Mr. Liang was appointed as the Supervisor of the Company since December 2019. Mr. Liang acted as a cadre of Beijing Grain Group Co., Ltd. (北京糧食集團) from August 1996 to March 2003, a cadre of the commerce and trade work committee of Beijing Municipal Committee (北京市委商貿工委) from March 2003 to November 2003, a cadre of State-owned Assets Supervision and Administration Commission of The People's Government of Beijing Municipality from November 2003 to May 2009, and has been working in the State-owned Capital Operation and Management Center of Beijing since May 2009, acting successively as the deputy general manager and general manager of the human resources department, the general manager of the human resources department and deputy general manager (in charge) of the fund investment department, general manager (department head) of the human resources department (organization department) and deputy general manager (in charge) of the fund investment department, general manager of the fund investment department and general manager of the second fund investment department. Mr. Liang obtained a bachelor's degree in engineering from the Department of Electronics of Heilongjiang Commercial College (黑龍江商學院) in August 1996, majoring in computer application.

Mr. Chen Rui (陳瑞), aged 46, is a Supervisor of the Company, and the managing director of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司). Mr. Chen was appointed as the Supervisor of the Company since October 2013. Mr. Chen served as an engineer for Shenzhen Lingke Electronic Communication Appliances Co., Ltd. (深圳市靈科電訊器材有限公司), which is primarily engaged in development and production of electronic communication appliances, from February 1998 to May 1999. From June 1999 to November 2002, he worked as the engineer, the manager and the vice general manager of the engineering technical department of Shenzhen Linker Industrial Co., Ltd. (深圳菱科實業有限公司), which is primarily engaged in research, development and production of numbering machines. He has successively served as an investment manager, vice president of investment, director, executive director, head and managing director of the Shenzhen office of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司), which is primarily engaged in venture capital business, from February 2005 up to present. Mr. Chen obtained a bachelor's degree of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Ms. Yang Huiju (楊卉菊), aged 50, is an employee representative Supervisor of the Company and the deputy 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 deputy chief engineer of the Xi'an branch of the Company since July 1993. Ms. Yang obtained a bachelor's degree of environmental engineering from Beijing Institute of Light Industry (北京輕工業學院) in July 1993. She was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in October 2004.

Mr. Liu Hao (劉皓), aged 39, is an employee representative Supervisor of the Company and the deputy chief engineer of the Xiamen branch of the Company. Mr. Liu has worked successively as the designer, the director of driving station office and then as the deputy chief engineer of the Xiamen branch of the Company since July 2002. In July 2002, Mr. Liu graduated from Xi'an University of Architecture and Technology with a bachelor's degree in general plan design and transportation engineering. In July 2009, he obtained a master's degree in engineering through further education in the traffic engineering graduate class of Beijing Jiaotong University (北京交通大學). He was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in 2013.

Mr. Ban Jianbo (班健波), aged 32, is an employee representative Supervisor of the Company and the specialist in legal affairs and internal audit of the legal audit department of the Company. Mr. Ban has worked successively as the legal specialist of the enterprise management division of the Company and then as the specialist in legal affairs and internal audit of the legal audit department of the Company since July 2012. Mr. Ban obtained a bachelor's degree of laws from Southwest University of Political Science and Law (西南政法大學) in July 2009, then obtained a master of economic law from Southwest University of Political Science and Law in June 2012. He was granted with legal professional qualification by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in March 2011 and was qualified as an intermediate economist in business administration in November 2013.

Mr. Zuo Chuanchang (左傳長), aged 54, is an independent Supervisor of the Company. Mr. Zuo was appointed as the independent Supervisor of the Company since March 2014. Mr. Zuo worked on project management and investment research in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted securities research in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. He was a post-doctorate jointly trained by Institute of Economics of Chinese Academy of Social Science (中國社會科學研究院經濟研究所) and Guangdong Fenghua Advanced Technology (廣東風華高科) from October 1999 to December 2001. He took up the role as a deputy researcher for Academy of Economic Research of NDRC from December 2001 to March 2005. He was a deputy head and the head of the Macroeconomic Research Institute, and a researcher of the Economic Research Institute of the NDRC (國家發改委宏觀經濟研究院) since March 2005. From September 2014 to June 2016, he has been the vice president of Institute of Scientific Research of Tsinghua University (清華大學科研院) and concurrently acts as the distinguished research fellow of Institute of Industrial Innovation and Finance in Tsinghua University (清華大學產業創新與金融研究院). Mr. Zuo was awarded a bachelor's degree in engineering from Tsinghua University in July 1988, specializing in water conservancy and hydropower engineering construction. He was awarded a doctorate degree in economics by the Postgraduate School of Chinese Academy of Social Sciences in June 1998, specializing in investment economics.

OTHER SENIOR MANAGEMENT

Ms. Cheng Yan (成硯), aged 45, is a deputy general manager of the Company. Ms. Cheng was the project manager of the Planning and Design Division of Engineering Department of the Organizing Committee for the Beijing Olympic Games (BOCOG) from July 2002 to March 2005. She served as the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005. She took up the role as a deputy head and subsequently the head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy director of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008). She was an assistant to the general manager of BUCG from February 2008 to 14 April 2014. Ms. Cheng served as a vice president of the Company from January 2009 to December 2013. Ms. Cheng has acted as a deputy general manager of the Company since 16 December 2013. Ms. Cheng obtained a bachelor's degree majoring in architecture at Tsinghua University in July 1997. She was a doctoral candidate jointly educated by School of Architecture of Tsinghua University and School of Design of Harvard University from September 2000 to May 2001, and obtained a doctor's degree of engineering majoring in architectural design and theory from Tsinghua University in July 2002. Ms. Cheng was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in August 2010.

Mr. Jin Huai (金淮), aged 55, is a deputy general manager of the Company, and concurrently the president of Beijing Rail Transit Design & Research Institute Co., Ltd.. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992. He served as the manager of the technical office, the assistant to the president and the chief engineer of Beijing Urban Construction Exploration & Surveying Institute from May 1992 to November 2000. Mr. Jin acted as the chief engineer of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計院有限責任公司) from December 2000 to May 2003. He was the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006. He served as the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from March 2005 to 21 October 2014. He took the role as the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute from 14 March 2008 to 21 October 2014. He was the deputy president of the Company from May 2003 to December 2013. He has been serving as the president of Beijing Rail Transit Design & Research Institute Co., Ltd. since 23 July 2014. Since 16 December 2013, Mr. Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering majoring in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985. Mr. Jin obtained a master's degree of science majoring in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Wang Liang (王良), aged 54, is a deputy general manager of the Company and the general manager of the Construction Contracting Department of the Company. Mr. Wang acted as an assistant engineer, an engineer, the vice president, the president, the deputy director and the director of the Ministry of Railways Design Institute from July 1986 to March 2000. He also acted as the manager of the Shield Project Management Department of Shield Basis Branch and the assistant branch manager of BUCG from March 2000 to March 2004; the deputy chief engineer and the assistant manager of the construction contracting department of BUCG from March 2004 to June 2006; the deputy manager of construction contracting of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction contracting department of BUCG in October 2012. In December 2012, the rail transit construction contracting department of BUCG was restructured and consolidated into the Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr. Wang has been serving as a deputy general manager of the Company and he has been the general manager of the Construction Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the grade-one constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Wan Xuehong (萬學紅), aged 59, 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 successively 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 was 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 (北京市高級專業技術資格評審委員會).

Mr. Yu Songwei (于松偉), aged 54, is a deputy manager of the Company. Mr. Yu worked as a designer in the Subway Design & Research Laboratory (地鐵設計研究所) of Beijing Urban Construction Engineering Design Institute (北京市城市建設工程設計院) from July 1987 to May 1996; a chief electrical engineer in the Equipment Design Division (設備設計科) of Beijing Urban Construction Engineering Design Institute from May 1996 to September 1998; the deputy chief engineer of Beijing Urban Construction Engineering Design & Research Institute (北京市城建工程設計研究院) and the president of its Equipment Design Division from September 1998 to February 2002; the deputy chief engineer of Beijing Urban Construction Design & Research Institute and the president of its Electrical Design Division from February 2002 to February 2003; the deputy chief engineer of Beijing Urban Construction Design & Research Institute Co., Ltd. from March 2003 to February 2006; the deputy president of the Rail Transit Design & Research Institute (軌道交通設計研究院) of Beijing Urban Construction Engineering Design & Research Institute Co., Ltd. from February 2006 to August 2012. He has been the president of the Rail Transit Design & Research Institute of Beijing Urban Construction Design & Development Group Co., Limited since August 2012 and has been acting as the deputy general manager of the Company since June 2016. Mr. Yu obtained a bachelor's degree in railway electrification and a master's degree in electrical engineering from Southwest Jiaotong University in July 1987 and June 2007, respectively. In September 2002, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會).

Mr. Ma Haizhi (馬海志), aged 52, served as the deputy general manager of the Company, the chairman and the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司). He served as the project supervisor, squad leader, deputy captain and deputy director of the survey team of Beijing Urban Construction Surveying and Mapping Institute from July 1989 to March 2001; served as the director of the surveying engineering department, assistant to the dean, executive associate dean, dean, deputy secretary of the Party Committee, secretary of the Party Committee and chairman of the Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) from April 2001 to May 2016. He has served as the chairman and secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) since May 2016. Ma Haizhi graduated from Beijing University of Civil Engineering and Architecture in July 1989 with a bachelor's degree in engineering survey and obtained an executive master of business administration (EMBA) from the Tsinghua University School of Economics and Management in July 2008. Ma Haizhi was recognized as a professor-level senior engineer by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2007.

Mr. Yin Zhiguo (尹志國), aged 44, served as the deputy general manager of the Company and the general manager of Beijing Urban Infrastructure Construction Investment Management Co., Ltd. (北京城建基礎設施投資管理有限公司). He successively served as operating director and project chief economist of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from August 1999 to December 2002, served as executive deputy director of marketing department and director of bidding and quotation department of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from January 2003 to February 2004, served as director of operation management department, deputy chief economist of the company and director of group investment risk management committee of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from March 2004 to August 2013. And he has served as assistant to general manager and director of investment and financing department of Beijing Urban Construction Design & Development Group Co., Limited, and general manager of Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. (北京城建基礎設施投資基金管理有限公司) since September 2013. Yin Zhiguo graduated from the Department of Civil Engineering of Northeast Forestry University with a bachelor's degree in Architectural Engineering in July 1999. He graduated as in-service graduate student in Transportation Engineering from the Department of Civil Engineering of Northeast Forestry University in January 2008. Yin Zhiguo obtained the qualification of national first-level construction engineer from Ministry of Construction in January 2008. He was recognized as a senior engineer by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in July 2011 and was selected as the first batch of PPP double-bank experts of the National Development and Reform Commission and the Ministry of Finance in 2015.

Mr. Yang Xiuren (楊秀仁), aged 55, is the Chief Engineer of the Company and a National Engineering Survey and Design Master. Mr. Yang was an assistant engineer of the Bridge and Tunnel Department of No. 3 Survey Institute (第三勘察設計院) under the Ministry of Railway from July 1986 to December 1991; an engineer and the chief engineer of the Fourth Design Studio of Beijing Urban Construction Design and Research Institute from January 1992 to January 1996; the head of the Technical Department, the deputy chief engineer and the deputy president and chief engineer from January 1996 to May 2003; and has been the Chief Engineer of the Company since May 2003. Mr. Yang obtained a bachelor's degree of engineering majoring in tunnel and underground railway from Southwest Jiaotong University. 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 and Design (全國工程勘察設計大師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 30 December 2016.

Mr. Xiao Mujun (肖木軍), aged 52, is the chief accountant of the Company. Mr. Xiao worked in No. 5 Urban Construction Company (城建五公司), in which he served successively as the project cashier, accountant, financial controller, project operating deputy manager of project operation and the deputy manager of the financial department from July 1993 to August 2001. He worked in Beijing Urban Construction Investment Development Co., Limited from August 2001 to August 2006, during which he acted as the person-in-charge of finance of the preparatory group for Beijing Urban Construction's Chongqing International Convention & Exhibition Center project from August 2001 to June 2002; a staff member of the audit department of Beijing Urban Construction Investment Development Co., Limited from June 2002 to June 2004; the financial director of Beijing CCID Info Tech Inc. from June 2004 to August 2006. He acted as the manager of the financial department, the deputy chief accountant and the manager of financial department and the deputy general manager of Beijing Urban Real Estate Exploitation Co., Ltd. from August 2006 to May 2009, from May 2009 to October 2012 and from October 2012 to May 2016, respectively. Mr. Xiao has been the chief accountant of the Company since June 2016. Mr. Xiao graduated from China Agricultural University majoring in land planning and utilization in July 1993. In December 2003, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Liu Li (劉立), aged 53, is the chief economist of the Company. Mr. Liu was a designer of the structure department of the Beijing Urban Construction Design Institute (北京城建設計院) from July 1990 to October 1996; the deputy general manager of Beijing Chengrong Waterproof Material Co., Ltd. (北京城融防水材料有限公司) from October 1996 to October 1998; the head of operating department and the assistant to president of Beijing Urban Construction and Design Institute (北京城建建築設計院) from October 1998 to December 2002; the head of operating department and the assistant to president of Beijing Urban Construction Design & Research Institute from December 2002 to September 2007; the vice president of the municipal department of Beijing Urban Construction Design & Research Institute from September 2007 to September 2009. Mr. Liu has been the deputy chief economist and the chief economist of the Company since September 2009. Mr. Liu graduated from Beijing University of Technology (北京工業大學) majoring in industrial and civil architecture in July 1990. Mr. Liu was qualified as an engineer by Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) in February 1995 and qualified as a senior administrator of business administration in June 2010.

Mr. Xuan Wenchang (玄文昌), aged 51, is the secretary of the Board of the Company and a joint company secretary. Mr. Xuan worked with the 4th department of the No. 3 China Railway from July 1990 to December 1992; acted as the project financial manager for the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from December 1992 to September 2000; acted as a manager under the Finance Department of Beiyuan Hotel of BUCG from September 2000 to September 2006; worked at Beijing Urban Construction Investment Management Company from September 2006 to April 2008 (during which acted as the chief financial officer for Beijing Haiya Jinyuan Environmental Protection Co., Ltd. from September 2006 to February 2008); has acted as the deputy chief accountant of the Company since June 2008; acted as the head of the Listing Preparation Office of the Company from August 2011 to October 2014; and acted as the secretary of the Board and company secretary of the Company since 16 December 2013. Mr. Xuan graduated in Finance and Accounting from Shanghai Railway Institute in July 1990, and obtained an executive master of business administration from Renmin University of China. In February 2007, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) and became a certified management accountant of the Institute of Certified Management Accountants in the U.S. in June 2013.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents this report together with the audited financial statements of the Group for the year ended 31 December 2019.

BUSINESS REVIEW

PRINCIPAL BUSINESS

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

OPERATING RESULTS AND FINANCIAL POSITION

During the Reporting Period, in view of the development situation of domestic urban rail transit, the Company continued to expand the design, survey and consultancy business, worked to consolidate its construction general contracting business, and stuck to innovation and development by leveraging on the advantages of the whole rail transit industry chain, in a bid to maintain a good development momentum. For the year ended 31 December 2019, the Company recorded revenue of RMB8,414 million, an increase of RMB1,228 million or 17.09% from the corresponding period of last year. In particular, revenue from the design, survey and consultancy business segment amounted to RMB3,663 million, and revenue from the construction general contracting business was RMB4,751 million.

The Company's rail transit design continued to rank No.1 within the industry. The Company signed the contracts for 7 general contracting projects throughout the year, including north extension of Hangzhou Line 3, Branch Line for Beijing Winter Olympics, south extension of Shenzhen Line 16, phase one of Chengdu Line 27, Tram Project in Bishan District, Chongqing, ranking the first in the industry with a leading market share. Projects such as the reconstruction of Chongqing Line 2 and Beijing Line 13 opened up new markets for the expansion and reconstruction of existing lines; strong efforts has been made in the general contracting of underground space survey and design and the comprehensive design of TOD to drive the coordinated marketing of the design segment. Secured the general contracting of underground space survey and design of Changchun "Milky Way 1 Mile" and projects like Shaoxing North Station, Shijiazhuang CBD underground space and Jinan Railway Station. Consecutively obtained more than 50 various preliminary projects, laying a solid foundation for subsequent design projects. The scale of the survey business continuously enlarged. The marketing amount reached RMB1.4 billion, and the revenue from operations exceeded RMB1 billion. The market share continued to hold the number one position in the rail transit market, while the amount of newly signed contracts in markets outside Beijing has outpaced that in Beijing, and the performance of geotechnical business doubled in three years. Zero breakthrough was achieved in Tibet market. A large number of business orders on serving the Xiong'an New District, Daxing International Airport Economic Zone, Beijing Winter Olympics and other key national projects were obtained. We marched on the international market with our city-building brands, and obtained orders on survey business in Cambodia, Bangladesh and Ethiopia. The marketing performance of project "convergence of military and civil sectors" reached RMB20 million, and intelligent project has been well developed. The design of municipal and civil facilities went well. Car depot and parking lot were powered and we obtained Beijing Ciqu, Dongba, Resort Village, Wangcheng and other projects. The integrated project of Heifei to Anqing high-speed railway helped made a breakthrough in conversion of subway into high-speed railway. Urbanization project in Gao'an was further promoted, with an aggregate amount of exceeding RMB100 million. The amount of contracts on municipal design amounted to RMB150 million. The water environment treatment market maintained strong growth, and we obtained orders for water environment treatment in Xiong'an New District, Beijing Longtan Lake, Huairou, Guangdong Zhongshan, etc. The EPC project of Zhenghe White Tea County was led by designers, which created a new way for operation. The impact within the industry has been continuously enhanced because design plans were shortlisted for China International Exhibition Center. Our innovative design covers four major fields: urban and rural planning, architectural interior design, new cultural and creative arts and operation consulting. We won the bid for the overall land plan of Hebei Shahe, which pioneered the land and space planning business. We focused on the urban renewal market, the reconstruction of headquarter of Beijing Publication and Distribution Group and laid a solid foundation for capturing the follow-up market. International design business model has been upgraded. Signed contracts about the integrated development of Miklin station of Moscow Subway. Combined the current conditions of international design business with goals for future development, we reorganized and established International Engineering Design Institute to further expand business in the international market, enhance our implementation ability and settle a new layout for the development of international design business.

General project contracting business is progressing steadily. The Company contracted 8 projects and won the contract segment 03 of Beijing Metro Line 11 for Winter Olympics project, which opened up a new market in terms of the operation and maintenance. The Company obtained maintenance project for Tramcar Line T2 in Wuhan Optics Valley, which pushed the general contracting business into a stable new stage.

The investment and financing business were promoted with high quality. The Tourism Railway project in the Huangshan Municipal Administrative Area was officially signed, and the ABO model was adopted, with a total investment amount of RMB12 billion. The coordinated development of the entire rail transit industry chain reached a new height. The implementation of the Shaoxing Line 1 PPP project marked the successful export of Beijing Model, Beijing Construction, Beijing Equipment and Beijing Operations.

The industrialized business has been upgraded energetically. Rome was not built in one day. After five years of exploration, we formulated four major product systems: smart control system, rail system, rail product and smart utility tunnel. The amount of newly signed contract exceeded RMB500 million, covering 16 cities across the country. We successfully signed the Taiyuan Line 2 leveraging our "Jinlongyun" system, with the market share ranking first in the national market segment. The track series products entered the overseas market and obtained orders from the Bolivian market. The tramcar center was established and new orders for Foshan tram were obtained.

A new phase of operation management started. Mechanical and electrical equipment installation project, vehicle procurement, personnel recruitment and training meet the requirement of the overall schedule, and the first train of Kunming Line 4 arrived in Kunming as scheduled, setting a record for the fastest Kunming subway. The detailed implementation of resource development, advertising planning, and cultural and creative plans laid the foundation for operations in 2020. Two PPP projects including Outer Ring North Road of Anqing City and Dianzhong Airport Avenue obtained the accumulated available service fees and operation and maintenance performance service fees while Zunyi Fengxin Express Line ppp project completed and marched into operation and maintenance period, actively driving the collection of receivables.

During the Reporting Period, the Company has made significant achievements in scientific research and innovation. Line 7 in Shenzhen won Zhantianyou Award in terms of designing; the key technology of rail transit automatic operation system and the research and application of shield construction control technology won the Beijing Science and Technology Progress Award; 40 scientific and technological innovation projects have been approved, 7 topics including the integration of urban rail transit network planning and master planning, and light rail transit design standards. We have obtained 35 patents and 42 software copyrights. The Company played a leading role and participated in formulating 16 standards. The Company also won 82 awards for excellence in survey and design. In addition, there are 5 projects awarded for construction quality, 11 projects awarded for quality management, and 2 projects aiming to promote the newly developed technology.

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

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

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

Major Risks and Uncertainties

Risks on Macro Policy

The fluctuation of national macro-economic policies, industrial policies and industrial planning will directly affect the development of the Company. The National Development and Reform Commission issued guidelines on planning and construction of rail transit, which proposed to "build a metropolitan circle on the rail". Based on the layout of rail transit network in the metropolitan circle, China strived to create a commuting circle with rail transit as the backbone. In September 2019, the CPC Central Committee and the State Council promulgated the Outline for Building China's Strength in Transportation《交通強國建設綱要》, which stated that China will complete the task of traffic construction of securing a decisive victory in building a modestly prosperous society in all respects and the tasks of the "13th Five-Year Plan" for the modern integrated transportation system by 2020, laying a solid foundation for the construction of a strong transportation nation, pointing out the direction and putting forward requests for the development of urban rail transit.

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

Exchange Rate Risks

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

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

Risks on Market Competitions

Under the situation of an overall slowdown in the development of urban rail transit market and the fierce competition, industry leaders are facing more severe market competition. With such fierce competition, the Company will face challenges regarding how to gain market share in a severe situation and consolidate its leading position in the industry.

Countermeasures: the Company shall fully understand market information, timely follow up projects under tracking, well fulfill contracts of projects, constantly extend the industry chain of design business, adapt to new situation of market development, further enlarge the pattern and scale of design consultation market, continuously enhance core competitiveness of the Company and keep its market share. The Company shall also consolidate traditional market, explore new market through alliance between giants, become more specialized, and take multiple measures to improve general contracting business; meanwhile, proactively explore new business, such as investment and finance, property development, science and technology industrialization and create new growth drivers.

Future Development Prospects

2020 is the last year of the "13th Five-Year Plan" and the preparation year for the "14th Five-Year Plan". The state comprehensively implements the spirit of the 19th CPC National Congress, closely follows the goal of building a well-off society in an all-round way, adheres to the general working guideline of making progress while maintaining stability, sticks to the concept of new development, focuses on the supply-side structural reform, deepens the reform and opening-up, promotes high-quality development, and will make coordinated efforts to stabilize growth, promote reform, adjust the structure, benefit the people's livelihood, prevent risks, maintain stability, and maintain economic operation in a reasonable range. Therefore, the Company actively responds, strives for progress while maintaining stability, and insists on playing a greater role in the field of urban rail transit and realizing greater value.

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

Corporate Environmental Policy and Performance

The Company continued to take advantage of technological innovation and played its leading role in the industry by using technology research and development platform for green and safe construction of urban rail transit and rail transit energy conservation in industries with traditional advantages. The Company was committed to innovation research in environmental protection and energy conservation in the rail transit industry. The Company was successfully approved to establish the postdoctoral research work station, which has paved the way for the Company to foster and attract senior talents.

The Company complied 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 placed emphasis on environmental protection, and complied with requirements of GB/T24001-2016 (ISO14001:2015) 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 projects undertaken by it, the Company adopted strict management and control over construction safety, seasonal construction, emergency and flood prevention, labour management and environmental-friendly construction. Therefore, the Company's production safety was stable and steady throughout the Year. The construction of production safety standardization on the construction site was fully promoted, and the compliance rate of green construction reached 100%.

Compliance with Relevant Laws and Regulations of Major Concerns

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

The Company insists on performing corporate and social responsibilities, attaches importance to occupational health and production safety, strictly implements the established GB/T28001-2011 (OHSAS8001:2007) occupational health and safety management system, complies with 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》) and other relevant regulations, and constantly improves the Company's production safety management system by issuing new measure of Construction Safety Risk Ranking Control and Potential Hazards Inspection and Treatment System (《施工安全風險分級管控和隱患排查治理制度》) and Measure on Potential Hazards Inspection Information Platform Appraisal Management (《安全隱患排查治理信息平台考核管理辦法》), also revising the Safety Production Responsibility System (《安全生產責任制》), and Measure on Safety Production Standardization Appraisal Management (《安全生產標準化考評管理制度》) and other production safety management systems. We carry out regular training and assessment periodically to perform the responsibility of production safety management of all employees, and vigorously promote the construction of the "dual control system" for inspection of construction risks and potential hazards to enhance the capability for prevention and control of production safety accident. During the Reporting Period, the Company had no production safety accidents.

Material Relationships between Employees, Clients and Suppliers

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

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

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 108 to 109 of this report.

Pursuant to Rule 18 of "Measures for the Administration of Securities Issuance and Underwriting" 《證券發行與承銷管理辦法》 of China Securities Regulatory Commission ("**CSRC**") and related regulatory Q&A requirements, the Company could only issue securities issued domestically after the profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or yet to be implemented though being approved by the general meeting, have been implemented. In view of the Company's A Share prospectus has been pre-disclosed on the CSRC website, the Board resolved on 25 March 2020 to recommend not to pay final dividend in 2019, to ensure the steadily pushing ahead of the issuance and listing of A Share related works.

PROFIT DISTRIBUTION POLICY

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

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

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

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

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

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

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

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the Directors, Supervisors and senior management of the Company are set out from pages 32 to 47 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

Due to change in work arrangement, Mr. Yim Fung has tendered to the Company his resignation from his position as an independent non-executive Director of the Company on 19 July 2019, with effect from 30 December 2019.

Due to change in work arrangement, Mr. Shi Yubin has tendered to the Company his resignation from his position as a non-executive Director and Chairman of the Board on 5 December 2019, with effect from 30 December 2019.

At the 2019 second extraordinary general meeting held on 30 December 2019, Mr. Pei Hongwei and Mr. Ma Xufei were appointed as non-executive Director and independent non-executive Director of the Company, respectively, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 19 July 2019, 31 July 2019, 5 December 2019 and 30 December 2019 and the circular of the Company dated 13 December 2019.

Change of Supervisors

Due to change in work arrangement, Ms. Zhao Hong has tendered to the Company her resignation from her position as a Supervisor of the Company on 19 July 2019, with immediate effect.

Due to retirement, Mr. Yuan Guoyue has tendered to the Company his resignation from his position as a Supervisor and chairman of the Board of Supervisors of the Company on 5 December 2019, with effect from 30 December 2019.

At the 2019 second extraordinary general meeting held on 30 December 2019, Mr. Hu Shengjie and Mr. Liang Wangnan were appointed as Supervisors, respectively, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 19 July 2019, 31 July 2019, 5 December 2019 and 30 December 2019 and the circular of the Company dated 13 December 2019.

Change of the Chairman of the Board

At the Board meeting held on 30 December 2019, the Board elected Mr. Pei Hongwei as the Chairman of the second session of the Board with immediate effect. For details, please refer to the announcement of the Company dated 30 December 2019.

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

Nomination Committee

Chairman: Pei Hongwei
Members: Wang Dexing, Liang Qinghuai, Qin Guisheng, Su Bin

The Audit Committee

Chairman: Sun Maozhu
Members: Ren Yuhang, Liang Qinghuai, Qin Guisheng, Yu Xiaojun

Remuneration Committee

Chairman: Wang Dexing
Members: Sun Maozhu, Ma Xufei, Wu Donghui, Ren Chong

Overseas Risk Control Committee

Chairman: Pei Hongwei
Members: Wang Hanjun, Li Guoqing

Change of the Chairman of the Board of Supervisors

At the Board of Supervisors meeting held on 30 December 2019, the Board of Supervisors elected Mr. Hu Shengjie as the Chairman of the second session of the Board of Supervisors with immediate effect. For details, please refer to the announcement of the Company dated 30 December 2019.

Save as disclosed in this annual report, there was no change of other Directors, Supervisors and senior management of the Company for the year ended 31 December 2019.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

For the year ended 31 December 2019, 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 2019, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

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

Note:

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

Save as disclosed above, as at 31 December 2019, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2019, 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 2019, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreements which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2019, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if entered into by the Company).

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of remuneration of the Directors, Supervisors and senior management for the Year are set out in notes 8 and 36 to the financial statements.

For the year ended 31 December 2019, the remuneration of other senior management members by bands is set out as follows:

Remuneration Band	Number of Person
RMB500,000 – 1,000,000	10
RMB1,000,000 – 1,500,000	1

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

STOCK OWNERSHIP PLAN OF CORE EMPLOYEES

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

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

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

As at 31 December 2019, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the Shares and underlying shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Domestic Shares

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

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.

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

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

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

5. Among which, 18,270,000 Domestic Shares were issued for connected subscriptions. For further details, please refer to the circular published by the Company on 7 December 2017 and the announcement published by the Company on 5 February 2018.

H Shares

Name of Shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued Share capital
Amundi Asset Management	Investment Manager	58,155,000	Long position	14.99%	4.31%
Amundi Ireland Ltd	Investment Manager	81,494,000	Long position	21.01%	6.04%
Beijing Infrastructure Investment Co., Ltd.[1]	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited[1]	Beneficial Owner	68,222,000	Long position	17.59%	5.06%
Pioneer Investment Management Limited	Investment Manager	66,028,000	Long position	17.02%	4.90%
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	3.91%
CRRC Group	Interest of controlled corporations[2]	26,222,000	Long position	6.76%	1.94%

Notes:

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

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

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

SHARE CAPITAL

The Company's share capital structure as at 31 December 2019 was as follows:

Class of Shares	Number of Shares as at 31 December 2019	Percentage of total number of Shares in issue as at 31 December 2019
Domestic Shares	960,733,000	71.24%
Foreign Invested Shares (H Shares)	387,937,000	28.76%
Total	1,348,670,000	100%

PURCHASE, SALES AND REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2019.

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 32 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2019, the Company had distributable retained earnings of RMB2,039,097 thousand.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest major customers of the design, survey and consultancy business of the Group accounted for 11.6% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 3.9% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 35.1% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 13.1% of the Group's total sales. To the knowledge of the Directors of the Company, none of the Directors, Supervisors of the Company and their respective associates or any shareholders holding more than 5% interest in the share capital of the Company has any interest in the above major customers.

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

SUBSIDIARIES AND ASSOCIATES

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

Name	Registered Capital (RMB0'000)	Scope of Business	Shareholding Structure	Date of Establishment
Shaoxing Jingyue Metro Co., Ltd. (紹興京越地鐵有限公司)	500,000	Construction, operation and management of urban rail transit projects; construction, operation and management of parking lots; property management; leasing of houses, venues and commercial facilities within urban rail transit operating lines; advertising design, production, release, agency business within urban rail transit operating lines. Manufacture, maintenance and sales of subway vehicle equipment (limited to branches and separate production sites for production).	Shaoxing Rail Transit Group Co., Ltd. (紹興市軌道交通集團有限公司): RMB2.45 billion, accounting for 49% Beijing Infrastructure Investment Co., Ltd.: RMB1,772.25 million, accounting for 35.445% Beijing Municipal Road and Bridge Co., Ltd.: RMB382.50 million, accounting for 7.65% Beijing Urban Infrastructure Construction Investment Management Co., Ltd. (北京城建基礎設施投資管理有限公司): RMB382.50 million, accounting for 7.65% Beijing Metro Vehicle Equipment Co., Ltd.: RMB12.75 million, accounting for 0.255%	15 May 2019

Name	Registered Capital (RMB0'000)	Scope of Business	Shareholding Structure	Date of Establishment
Huangshan City Shiyu Tourism Railway Investment Development Co., Ltd. (黃山市市域旅遊鐵路投資發展有限公司)	100,000	Railway investment, construction, and operation; development of land and other resources along the railway lines and stations; advertisement management along the railway lines; construction of industrial parks, and development of tourism projects.	Beijing Urban Construction Design & Development Group Co., Limited: RMB240 million, accounting for 24% Beijing Jingtou Investment Co., Ltd. (北京京投投資有限公司): RMB240 million, accounting for 24% Huangshan City Railway Investment Co., Ltd. (黃山市鐵路投資有限公司): RMB520 million, accounting for 52%	12 August 2019
Delingha Lvjie Zhongchengyun Tram Operation Co., Ltd. (德令哈綠捷中城運有軌電車運營有限公司)	500	Public passenger transport; operation and management of trams; car leasing; trainings for employees based on positions and types related to trams; repairment of cars and trams; construction and maintenance of tram lines and networks; construction and maintenance of tram platforms and guardrails; mechanical equipment processing.	Beijing Urban Construction Design & Development Group Co., Limited: RMB1.15 million, accounting for 23% Delingha Culture Tourism Development Co., Ltd.(德令哈文化旅遊發展有限公司): RMB3.85 million, accounting for 77%	27 August 2019

Name	Registered Capital (RMB0'000)	Scope of Business	Shareholding Structure	Date of Establishment
Beijing Chengmei Xiangju Cultural Tourism Development Co., Ltd. (北京乘美鄉居文化旅遊發展有限公司)	1,000	Management of tourist attractions; rental of clothing, stage properties, mechanical equipment; organization of cultural and artistic exchange activities (excluding commercial performances); home decoration and design; landscaping; landscape design; engineering cost consultation; tourism information consultation; hotel management; conference services; exhibition and display activities; economic information consultation; property management; public parking services for motor vehicles; commercial building for rent; office building for rent; technology consultation; photography services; stage art design; film and television production; packaging services (excluding hazardous materials packaging); audiovisual production; catering services; accommodation; general contracting for construction.	Beijing Urban Construction Design & Development Group Co., Limited: RMB3.50 million, accounting for 35% Beijing Jingmei Group Co., Ltd.: RMB6.50 million, accounting for 65%	4 November 2019

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

(I) Establishment of Joint Venture Company

On 29 March 2019, the Company entered into a Joint Venture Agreement with Beijing Infrastructure Investment Co., Ltd. ("**Beijing Investment Company**"), Beijing Metro Vehicle Equipment Co., Ltd. ("**Beijing Vehicle Company**"), Beijing Municipal Road and Bridge Co., Ltd. ("**Road and Bridge Company**") and Shaoxing Rail Transit Group Co., Ltd. ("**Shaoxing Rail Group**") to jointly establish a Joint Venture Company to implement the Shaoxing Rail PPP Project[1]. For details, please refer to the connected transaction announcement of the Company dated 29 March 2019.

According to the Joint Venture Agreement entered into, the total contribution amount of the Joint Venture Company amounted to RMB7,881 million, among which, RMB5,000 million was included in the registered capital of the Joint Venture Company, and RMB2,881 million was included in the capital surplus of the Joint Venture Company. The Company, Beijing Investment Company, Beijing Vehicle Company, Road and Bridge Company and Shaoxing Rail Group will contribute RMB603 million, RMB2,793 million, RMB20 million, RMB603 million and RMB3,862 million and each of them will own 7.65%, 35.445%, 0.255%, 7.65% and 49% of the equity interest in the Joint Venture Company, respectively.

As of the date of abovementioned announcement, the domestic shares and H shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the Substantial Shareholders of the Company, and constitutes a connected person under Chapter 14A of the Hong Kong Listing Rules. Beijing Vehicle Company is a subsidiary of Beijing Investment Company and constitutes a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Road and Bridge Company and Shaoxing Rail Group as well as their respective ultmate beneficial owner are third parties independent of the Company and its connected persons. The transactions between Beijing Investment Company and/or its subsidiaries and the Company constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Joint Venture Agreement constitute the connected transactions of the Company.

1 Shaoxing Rail PPP Project is the PPP project of the construction, operation management and transfer of the Shaoxing Urban Rail Transit Line 1, which the Company, Beijing Investment Company, Beijing Vehicle Company, Road and Bridge Company, Shaoxing Rail Group and Shaoxing Rail Transit Construction Headquarters Office proposed to adopt a Public-Private-Partnership model. Shaoxing Urban Rail Transit Line 1 is an important channel connecting Hangzhou and Shaoxing, and runs through the Hangzhou-Shaoxing intercity line. The total length of the Shaoxing Rail PPP Project is 34.1 km.

(II) Establishment of Joint Venture Company

On 12 May 2019, the Company entered into a Joint Venture Agreement with Beijing Jingtou Investment Co., Ltd. ("**Jingtou Investment Company**") and Huangshan Railway Investment Co., Ltd. ("**Huangshan Railway Company**") to jointly establish a Joint Venture Company to implement the Huangshan T1 Line Project[2]. For details, please refer to the connected transaction announcement of the Company dated 12 May 2019.

According to the Joint Venture Agreement entered into, the registered capital of the Joint Venture Company amounted to RMB1 billion. The contribution will be made by instalments based on development progress of Huangshan T1 Line Project. The first instalment of capital contribution of the Joint Venture Company amounts to RMB50 million, which will be used as the expense of the commencement of construction of Huangshan T1 Line Project at the early stage. The Company, Jingtou Investment Company and Huangshan Railway Company will contribute RMB240 million, RMB240 million and RMB520 million and each of them will own 24%, 24% and 52% of the equity interest in the Joint Venture Company, respectively.

As of the date of abovementioned announcement relating to connecting transaction, the domestic shares and H shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the Substantial Shareholders of the Company. Jingtou Investment Company is a wholly-owned subsidiary of Beijing Investment Company and constitutes a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Huangshan Railway Company as well as its ultimate beneficial owner are third parties independent of the Company and its connected persons. The transactions between Jingtou Investment Company and the Company constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Joint Venture Agreement constitute the connected transactions of the Company.

2 The Phase I Project and relevant auxiliary resources development projects of Huangshan Urban Tourism Railway T1 Line implemented by the Joint Venture Company as authorized by Huangshan Municipal Government under ABO (Authorize-Build-Operate) model. Phase I Project of Huangshan Urban Tourism Railway T1 Line is a core railway line with Huangshan North Station as the transportation hub and gateway, and northbound to the south gate and east gate of Huangshan Scenic Area. The total length of Phase I Project of Huangshan Urban Tourism Railway T1 Line is approximately 50.6km, with a total of 9 stations (from Huangshan North Station to Tanjiaqiao Station). The investment amount of the project is approximately RMB12 billion.

Non-exempt Continuing Connected Transactions

The annual caps for the non-exempt continuing connected transactions of the Group in 2019 and the actual transaction amounts of such continuing connected transaction of the Group in 2019 are set out below:

	Year ended 31 December 2019	
	Actual amount (RMB million)	Annual cap (RMB million)
1. Integrated Services Framework Agreement:		
(1) Revenue generated by the Group from providing services to BUCG, its subsidiaries, joint ventures and/or associates	**430**	2,002
(2) Expenditure incurred by BUCG, its subsidiaries, joint ventures and/or associates for provision of services to the Group	**168**	1,354
2. Property and Land Leasing Framework Agreement: Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries, joint ventures and/or associates	**16**	21
3. BI Integrated Services Framework Agreement:		
(1) Revenue generated by the Group for providing design, survey and consultancy services to Beijing Investment Company, its subsidiaries and/or its associates	**120**	450
(2) Revenue generated by the Group for providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates	**369**	500
(3) Expenditure incurred by Beijing Investment Company, its subsidiaries and/or its associates for provision of construction contracting services to the Group	**65**	N/A

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

The revised annual cap of the Integrated Services Framework Agreement entered into between the Company and BUCG on 18 June 2014 and the supplemental agreement of the Integrated Services Framework Agreement entered into on 9 December 2015 and the continuing connected transactions thereunder, was due to expire by the end of December 2016, subject to the approval by the Company at the 2017 first extraordinary general meeting on 9 March 2017. The Company renewed the Integrated Services Framework Agreement (the "**Integrated Services Framework Agreement**") with BUCG on 9 March 2017 for a term of three years commencing from 1 January 2017 and ending on 31 December 2019, and set the annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the next three years ending 31 December 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 Services Framework Agreement, it was agreed between BUCG and the Group that:

(a) The integrated services to be provided by BUCG, its subsidiaries and/or associates to the Group include but not limited to engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing; and training services and other services required by the Group to carry out its business.

(b) The integrated services to be provided by the Group to BUCG, its subsidiaries and/or associates include but not limited to: (i) services relating to construction survey, design and consultancy, including but not limited to measurement, test, inspection of construction drawings, as well as training services and other services required by BUCG, its subsidiaries and/or associates to carry out their business; and (ii) project sub-contracting and/or specialized services, including but not limited to project management and equipment leasing services, etc., pursuant to situations (2) and (3) of the Supplemental Agreement II to the Non-competition Agreement (the "**Supplemental Agreement II to the Non-competition Agreement**") entered into between BUCG and the Company on 29 October 2015.

(c) The parties agree that the transaction shall be consummated in line with the applicable general market practice (if any) and on normal commercial terms.

(d) The parties are entitled to choose the counterparty of the transaction, i.e. to provide services to, or obtain services from, any third parties (other than in the circumstances specified in below paragraph (e)). Meanwhile, BUCG, its subsidiaries and/or associates shall provide services to the Group on terms and conditions no less favourable than those offered to independent third parties under similar circumstances and shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group; and

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

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

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

As at the date of the above continuing connected transactions circular, 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 2019, (1) in respect of the revenue generated by the provision of services by the Group to BUCG, its subsidiaries, joint ventures and/or associates, the annual cap in 2019 for such transactions was RMB2,002 million, whereas the actual revenue generated was RMB430 million; (2) in respect of the expenditure incurred for the provision of services by BUCG, its subsidiaries, joint ventures and/or associates to the Group, the annual cap in 2019 for such transactions was RMB1,354 million, whereas the actual expenditure incurred was RMB168 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. For details, please refer to the announcement dated 8 December 2016.

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

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

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

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

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

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

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

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

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

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

As at the date of the above continuing connected transactions circular, pursuant to the Hong Kong Listing Rules, BUCG is the controlling shareholder of the Company, directly and indirectly holding an aggregate of 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 2019, in respect of the expenditure incurred for the lease of properties and land by the Group from BUCG, its subsidiaries, joint ventures and/or associates, the annual cap in 2019 for such transactions was RMB21 million, whereas the actual expenditure was RMB16 million.

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

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

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

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

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

(c) Both parties are entitled to choose the counterparties of the transaction. Meanwhile, Beijing Investment Company, its subsidiaries and/or associates shall not request the Group to provide services on terms and conditions more favourable than those offered to the independent third parties by the Group. Transactions must be made on no more favourable terms to Beijing Investment Company, its subsidiaries and/or associates, or no less favorable terms to the Group, than those available from independent third party.

(d) Both parties shall carry out the transaction in accordance with the applicable general market practice (if any) and on normal commercial terms.

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

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

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

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

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

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

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

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

As of 31 December 2019, (1) in respect of the revenue generated by the Group from providing design, survey and consultancy services to Beijing Investment Company, its subsidiaries and/or its associates, the annual caps in 2019 for such transactions was RMB450 million, whereas the actual revenue occurred was RMB120 million; (2) in respect of revenue generated by the Group from providing construction contracting services to Beijing Investment Company, its subsidiaries and/or associates, the annual caps in 2019 for such transactions was RMB500 million, whereas the actual revenue occurred was RMB369 million.

MATERIAL RELATED-PARTY TRANSACTIONS

Details of related-party transactions are set out in note 36 to the financial statements, in which certain transactions in such related-party transactions also constitute connected transactions as prescribed in Chapter 14A under the Hong Kong Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Hong Kong Listing Rules, and the connected transactions have complied the provisions in Chapter 14A under the Hong Kong Listing Rules.

Save as disclosed in the above connected transactions in this report, there is no other related-party transaction or continuing related-party transaction set out in note 36 to the financial statements which constitutes discloseable connected transactions or continuing connected transactions under the Hong Kong Listing Rules. The Company confirmed that its connected transactions and continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

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

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

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

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

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

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

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

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

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

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

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

The Company confirms that the execution and performance of the specific agreements under above continuing connected transactions during the year ended 31 December 2019 were in compliance with the pricing principles of such continuing connected transactions.

PERFORMANCE OF THE NON-COMPETITION AGREEMENT

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

BUCG stated that for the year ended 31 December 2019, 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 2019, and was of the view that BUCG had not breached the requirements of the Non-Competition Agreement.

PUBLIC FLOAT

Reference is made to the announcement of the Company dated 2 March 2018 ("**the Announcement**") 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**"). As the date of the Announcement, before completion of the Share Transfer, Beijing Investment Company holds 87,850,942 Domestic Shares of the Company, accounting for 6.90% of the total issued Shares of the Company. Beijing Capital holds 73,493,000 H Shares of the Company, accounting for 5.77% of the total issued Shares of the Company. Each of Beijing Investment Company and Beijing Capital does not constitute the substantial shareholder of the Company and the Shares of the Company held by them are deemed as public float. Upon completion of the Share Transfer, Beijing Investment Company increases its shareholding by acquiring 68,222,000 H Shares of the Company, and the total Domestic Shares and H Shares held by it account for 12.26% of the total issued Shares of the Company, and Beijing Investment Company therefore becomes one of the substantial shareholders of the Company and constitutes a connected person under Chapter 14A of the Hong Kong Listing Rules. As such, 68,222,000 H Shares held by Beijing Investment Company would no longer be deemed as transferable shares held by public.

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

AUDITORS

The financial statements for the Year have been audited by Ernst & Young. In the forthcoming 2019 general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2020 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 2019.

By order of the Board
Pei Hongwei
Chairman

Beijing, 25 March 2020

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders,

During the year of 2019, all members of the Board of Supervisors were in strict compliance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, strictly abided by the principle of good faith and performed their supervisory duties diligently through supervision over meetings and with focus on supervision over financial matters, internal control and compliance, effectively promoting the efficient operation of the Company's corporate governance and proactively protecting the interests of the shareholders, the Company and its employees.

MEETINGS OF THE BOARD OF SUPERVISORS

During the Year, the Board of Supervisors convened three meetings in total, at which the proposals were considered and approved, including the Proposal on Review of the 2018 Report of the Board of Supervisors in March 2019, the Proposal for Change of Supervisor of the Company in July 2019 and the Proposal on the Election of the Chairman of the Second Session of the Board of Supervisors of the Company in December 2019, respectively.

WORK OF THE BOARD OF SUPERVISORS

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2019 to monitor the validity and compliance of convening of and proposals and resolutions made during the meetings of the Board and general meetings of the Company, and supervised and reviewed the operation compliance, the major operating activities, the corporate governance structure and financial audit as well as the performance of Directors and senior management of the Company, and provided suggestions to the Board.

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

CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS

Due to change in work arrangement, Ms. Zhao Hong has tendered to the Company her resignation from her position as a Supervisor of the Company on 19 July 2019, with immediate effect.

Due to retirement, Mr. Yuan Guoyue has tendered to the Company his resignation from his position as a Supervisor and chairman of the Board of Supervisors of the Company on 5 December 2019, with effect from 30 December 2019.

At the 2019 second extraordinary general meeting held on 30 December 2019, Mr. Hu Shengjie and Mr. Mr. Liang Wangnan were appointed as Supervisors, respectively, with immediate effect.

At the Board of Supervisors meeting held on 30 December 2019, Mr. Hu Shengjie was elected as the chairman of the second Board of Supervisors, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 19 July 2019, 31 July 2019, 5 December 2019 and 30 December 2019 and the circular of the Company dated 13 December 2019.

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

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

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

The financial statements are authentic and complete. The reviewed financial statements for the interim period of 2019 and the audited annual financial statements for 2019 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. These financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries. Accounting treatments have been applied consistently. The financial accounts were prepared regularly with clear records and complete information.

The Board of Supervisors remains optimistic towards the prospects of the Company. In 2020, the Board of Supervisors will continue with supervision and recommendations in accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association and based on its work plan for the year, constantly facilitate lawful and compliant operation of the Company, improve the internal control system, target sound and rapid development of the Company, continuously improve its performance ability by the means of strengthening its supervision and innovating the thinking of work, diligently perform all its duties and earnestly safeguard the interests of shareholders, the Company and employees.

Hu Shengjie
Chairman of the Board of Supervisors

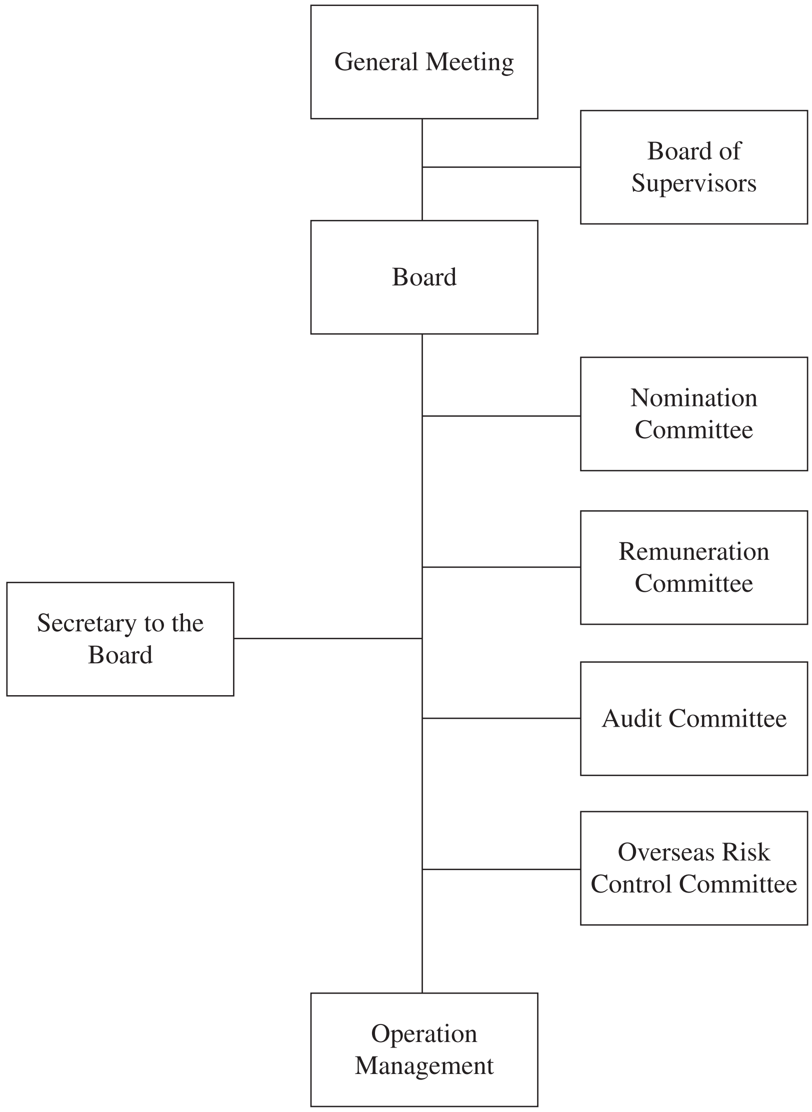
Beijing, 25 March 2020

CORPORATE GOVERNANCE REPORT

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

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

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



THE BOARD

Overview

During the Year, the Board convened five general meetings in total, including two class meetings and submitted 28 proposals to the general meeting. Nine Board meetings were convened, including one Board meeting for non-executive Directors, at which 51 resolutions were considered and approved.

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

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

COMPOSITION

During the Year, the Board comprised the following Directors:

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

Changes in the Board members during the period from 1 January 2019 to the date of this report are as follows:

Due to change in work arrangement, Mr. Yim Fung has tendered to the Company his resignation from his position as an independent non-executive Director of the Company on 19 July 2019, with effect from 30 December 2019.

Due to change in work arrangement, Mr. Shi Yubin has tendered to the Company his resignation from his position as a non-executive Director and chairman of the Board on 5 December 2019, with effect from 30 December 2019.

At the 2019 second extraordinary general meeting held on 30 December 2019, Mr. Pei Hongwei and Mr. Ma Xufei were appointed as non-executive Director and independent non-executive Director of the Company, respectively, with immediate effect.

At the Board meeting held on 30 December 2019, the Board elected Mr. Pei Hongwei as the Chairman of the second session of the Board with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 19 July 2019, 31 July 2019, 5 December 2019 and 30 December 2019 and the circular of the Company dated 13 December 2019.

Regarding the appointment of Mr. Ma Xufei as an independent non-executive Director of the Company mentioned above, the Nomination Committee of the Board has conducted preliminary review on qualification and conditions of Mr. Ma Xufei and made recommendations to the Board according to the Diversity Policy on Members of the Board of Directors of the Company by taking into comprehensive consideration the various factors including skills, experience, independence, knowledge on the business of the Company, the combination of each factor (including gender and age) and other factors relating to the operation efficiency of the Board. According to the laws and regulations and the provisions of Articles of Association, the Board proposed the appointment of Mr. Ma Xufei as an independent non-executive Director of the Company, which has been considered and approved on the second extraordinary general meeting in 2019.

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

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

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

DUTIES AND RESPONSIBILITIES

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

RESPONSIBILITIES OF THE MANAGEMENT

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

CHAIRMAN AND GENERAL MANAGER

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

DIRECTORS TRAINING

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

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

Director	Corporate governance	Laws and regulations	Business management
Executive Directors			
Mr. Wang Hanjun	✔	✔	✔
Mr. Li Guoqing	✔	✔	✔
Non-executive Directors			
Mr. Shi Yubin (resigned on 30 December 2019)	✔	✔	✔
Mr. Pei Hongwei (appointed on 30 December 2019)	✔		
Mr. Tang Shuchang	✔	✔	✔
Ms. Wu Donghui	✔	✔	✔
Mr. Guan Jifa	✔	✔	✔
Mr. Ren Yuhang	✔	✔	✔
Mr. Su Bin	✔	✔	✔
Mr. Yu Xiaojun	✔	✔	✔
Mr. Ren Chong	✔	✔	✔
Independent non-executive Directors			
Mr. Wang Dexing	✔	✔	✔
Dr. Yim Fung (resigned on 30 December 2019)	✔	✔	✔
Mr. Ma Xufei (appointed on 30 December 2019)	✔		
Mr. Sun Maozhu	✔	✔	✔
Mr. Liang Qinghuai	✔	✔	✔
Mr. Qin Guisheng	✔	✔	✔

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened a total of five general meetings, including two class meetings, and submitted 28 resolutions to the general meetings. Nine Board meetings were convened in total, including one Board meeting for non-executive Directors, at which 51 resolutions were considered and approved.

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

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Wang Hanjun	9	9	0
Mr. Li Guoqing	9	9	0
Mr. Shi Yubin (resigned on 30 December 2019)	8	5	3
Mr. Pei Hongwei (appointed on 30 December 2019)	1	1	0
Mr. Tang Shuchang	9	9	0
Ms. Wu Donghui	9	9	0
Mr. Guan Jifa	9	7	2
Mr. Ren Yuhang	9	7	2
Mr. Su Bin	9	8	1
Mr. Yu Xiaojun	9	9	0
Mr. Ren Chong	9	9	0
Mr. Wang Dexing	9	9	0
Dr. Yim Fung (resigned on 30 December 2019)	8	8	0
Mr. Ma Xufei (appointed on 30 December 2019)	1	1	0
Mr. Sun Maozhu	9	8	1
Mr. Liang Qinghuai	9	8	1
Mr. Qin Guisheng	9	9	0

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

- the convening of five general meetings and submission of 28 resolutions to the general meeting, including the audited consolidated financial statements for 2018 and its summary, the Report of the Board of Directors for 2018, the report of final financial accounts for 2018, the investment plans for 2019, the profits distribution plan and the dividend declaration proposal for 2018, the re-appointment of auditors, the appointment of Directors of the second session of the Board and Supervisors of the second session of the Board of Supervisors, the proposed amendments to the Articles of Association, the proposed amendments to the Rules on agenda of general meeting of the Company, Rules on agenda of board meeting, and the review and approval on continuing connected transactions with BUCG, all of which were approved at the general meeting;

- the convening of nine Board meetings and consideration and approval of 51 resolutions, including the profits distribution plan and the dividend declaration proposal for 2018, the completion of investments in 2018 and the investment plan for 2019, the interim results announcement and interim report of the Company for 2019, and the PPP project investment in urban railway 1st line in Shaoxing and investment in Huangshang city urban travel railway investment development co., ltd.(黃山市市域旅遊鐵路投資發展有限公司).

NOMINATION COMMITTEE

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

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

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

1. The Board comprises 15 Directors, of which five are independent non-executive Directors. The composition is in compliance with the requirements of Rules 3.10(1) and 3.10A of the Hong Kong Listing Rules in relation to "at least one-third of the members of the Board shall be independent non-executive Directors".

2. Among which at least one of the independent non-executive Directors has obtained financial professional qualifications, while other Directors possess legal, financial, business administration, public service and other professional experience, which are also in compliance with the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.

3. Members of the Board have different education backgrounds, of which they receive bachelor's degree in engineering and construction, doctoral degree in heat supply, gas supply, ventilation and air-conditioning engineer, master's degree in business administration, doctoral degree in civil engineering construction and management, doctoral degree in corporate management, master's degree in economics and master's degree in law. Their ages are from 44 to 73, with one female member.

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

Name of member	Position	Number of meetings required to be attended	Number of Meetings attended	Number of meetings attended by proxy
Mr. Shi Yubin	Chairman of the Nomination Committee Non-executive Director (resigned on 30 December 2019)	1	1	0
Mr. Pei Hongwei	Chairman of the Nomination Committee Non-executive Director (appointed on 30 December 2019)	0	0	0
Mr. Su Bin	Non-executive Director	1	1	0
Mr. Wang Dexing	Independent non-executive Director	1	1	0
Mr. Liang Qinghuai	Independent non-executive Director	1	1	0
Mr. Qin Guisheng	Independent non-executive Director	1	1	0

REMUNERATION COMMITTEE

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

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

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

Name of member	Position	Number of meetings required to be attended	Number of Meetings attended	Number of meetings attended by proxy
Mr. Wang Dexing	Chairman of the Remuneration Committee Independent non-executive	1	1	0
Ms. Wu Donghui	Non-executive Director	1	1	0
Mr. Ren Chong	Non-executive Director	1	1	0
Dr. Yim Fung	Independent non-executive Director (resigned on 30 December 2019)	1	1	0
Mr. Ma Xufei	Independent non-executive Director (appointed on 30 December 2019)	0	0	0
Mr. Sun Maozhu	Independent non-executive Director	1	1	0

AUDIT COMMITTEE

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

During the Year, the Audit Committee held three meetings in total to consider and approve the proposals in respect of the result of review on 2018 annual report, independence of external auditors, efficiency of internal control system, the result of review on 2019 interim report and the audit plan for 2019. The attendance record of the meetings of the members of the Audit Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of Meetings attended	Number of meetings attended by proxy
Mr. Sun Maozhu	Chairman of the Audit Committee Independent non-executive Director	3	3	0
Mr. Ren Yuhang	Non-executive Director	3	2	1
Mr. Yu Xiaojun	Non-executive Director	3	3	0
Mr. Liang Qinghuai	Independent non-executive Director	3	3	0
Mr. Qin Guisheng	Independent non-executive Director	3	3	0

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2019.

EXTERNAL AUDITORS

In 2019, the Company should pay RMB5.56 million to external auditors in relation to auditing services, which included the payments on auditing the annual financial report of 2019, reviewing the interim financial report of 2019 and auditing the financial report of the initial public offering of A shares. Other non-audit services provided by the external auditors to the Company include comfort letter and tax consulting services. The remuneration paid by the Company in respect of such non-audit services amounted to RMB533,000 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 2019, the Overseas Risk Control Committee held one meeting to consider the development of the Company's overseas operations. The attendance record of the meeting of the members of the Overseas Risk Control Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Shi Yubin	Chairman of the Overseas Risk Control Committee Non-executive Director (resigned on 30 December 2019)	1	1	0
Mr. Pei Hongwei	Chairman of the Overseas Risk Control Committee Non-executive Director (appointed on 30 December 2019)	0	0	0
Mr. Wang Hanjun	Executive Director	1	1	0
Mr. Li Guoqing	Executive Director	1	1	0

INTERESTS HELD BY THE DIRECTORS AND SECURITIES TRANSACTIONS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible for monitoring the preparation of the financial statements for every financial year and ensuring those financial statements provide a true and fair view on the business conditions, operating results and cash flows of the Group in the relevant period. In preparing the financial statements as at 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently, adopted all relevant standards in compliance with the International Financial Reporting Standards, and made a prudent and reasonable judgment and estimation and prepared the financial statements on a going concern basis.

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

Risk Management and Internal Control

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

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

The Main Features of the Risk Management and Internal Control Systems

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

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

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

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

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

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

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

Internal Audit Function

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

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

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

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

Procedures of Addressing the Material Deficiencies in the Internal Control System

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

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

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

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

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

Board of Supervisors

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

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

During the period from 1 January 2019 to the date of this report, the changes of the members of the Board of Supervisors are as follows:

Due to change in work arrangement, Ms. Zhao Hong has tendered to the Company her resignation from her position as a Supervisor of the Company on 19 July 2019, with immediate effect.

Due to retirement, Mr. Yuan Guoyue has tendered to the Company his resignation from his position as a Supervisor and chairman of the Board of Supervisors of the Company on 5 December 2019, with effect from 30 December 2019.

At the 2019 second extraordinary general meeting held on 30 December 2019, Mr. Hu Shengjie and Mr. Liang Wangnan were appointed as Supervisors, respectively, with immediate effect.

At the meeting of the Board of Supervisors held on 30 December 2019, Mr. Hu Shengjie was elected as the chairman of the second session of the Board of Supervisors, with immediate effect.

For details on above changes, please refer to the announcements of the Company dated 19 July 2019, 31 July 2019, 5 December 2019 and 30 December 2019 and the circular of the Company dated 13 December 2019.

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 2019, the Company convened two extraordinary general meetings, one H Shares class meeting, one Domestic Shares class meeting and one annual general meeting in total, at which 28 proposals were considered and approved. All the Directors, Supervisors and senior management members shall, as far as practicable, attend the general meeting of the Company. The following is the attendance record of the general meetings of the Directors:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Wang Hanjun	5	4
Mr. Li Guoqing	5	5
Mr. Shi Yubin (resigned on 30 December 2019)	5	3
Mr. Pei Hongwei (appointed on 30 December 2019)	1	1
Mr. Tang Shuchang	5	5
Ms. Wu Donghui	5	5
Mr. Guan Jifa	5	3
Mr. Ren Yuhang	5	2
Mr. Su Bin	5	3
Mr. Yu Xiaojun	5	5
Mr. Ren Chong	5	4
Mr. Wang Dexing	5	5
Dr. Yim Fung (resigned on 30 December 2019)	5	3
Mr. Ma Xufei (appointed on 30 December 2019)	1	1
Mr. Sun Maozhu	5	5
Mr. Liang Qinghuai	5	5
Mr. Qin Guisheng	5	5

RIGHTS OF SHAREHOLDERS

Methods of Convening Extraordinary General Meetings

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

Procedures for Proposing Extraordinary Proposals at General Meetings

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

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

Address:	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, to disclose every piece of information in a timely and accurate manner and to update and announce the operation dynamics and information in a timely manner. The Company also continued to modify the Chinese and English versions of the website pursuant to the latest requirements under the Hong Kong Listing Rules, enabling investors to have a clear picture of the recent development of the Company. Detailed information of each business activity of the Company and all published announcements are available for inquiry and downloading from the Company's website, www.bjucd.com.

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. The Company timely communicated its operating results and business development trends with investors after the announcements of the 2018 annual results and 2019 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, considering the needs of business development of the Company and amendments of Corporate Governance Code and relevant listing rules made by the Stock Exchange, the Company made corresponding amendments to the Articles of Association (the "**First Amendment**") after the approval of the Board and the general meeting of the Company. For details of the First Amendment, please refer to the announcements of the Company dated 29 March 2019 and 29 May 2019, respectively, and the circular of the Company dated 10 May 2019.

During the Reporting Period, based on the actual needs of the Company, the Company made corresponding amendments to the Articles of Association (the "**Second Amendment**") in accordance with the Company Law of the People's Republic of China and the Guidelines for the Articles of Association of Listed Companies after the approval of the Board and the general meeting of the Company. For details of the Second Amendment, please refer to the announcements of the Company dated 10 June 2019 and 15 August 2019, respectively, and the circular of the Company dated 30 June 2019.

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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 108 to 228, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2019, the trade receivables of the Group amounted to RMB4,719 million, which represented 23% of its total assets. According to the impairment requirements of IFRS 9 Financial Instruments, the Group established a provision matrix based on its historical credit loss experience and existence of disputes, and adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considered the credit risk characteristics of different customers and calculated expected credit losses ("ECLs") on trade receivables based on the combination of individual and collective assessment. The Group recognised a loss allowance based on lifetime ECLs. Making the allowance involved significant management judgement and estimates. More details are set out in note 2.4 "Impairment of financial assets", note 3 "Significant accounting judgements and estimates" – provision for expected credit losses on trade receivables and contract assets, and note 23 "Trade and bills receivables" to the consolidated financial statements.	We assessed the adequacy 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, reviewing the accounting policy for impairment of trade receivables, assessing the provision matrix and the expected credit loss rate, assessing whether the assumptions considered the impact of the forward-looking information, and considering whether there were special impairment indications about long ageing receivables and overdue receivables. For impairment allowance determined on an individual assessment basis, we assessed the adequacy of impairment allowance determined by management, by reviewing the forward-looking information, reviewing the subsequent collection after the reporting period, and evaluating whether the respective debtors have been experiencing significant financial difficulty, default or delinquency in interest or principal payments. For impairment allowance determined on a collective assessment basis, we tested the accuracy of the ageing of trade receivable balances by tracing to details of ledger accounts and delivery evidence and reviewed the forward-looking information. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for service concession arrangements	
The Group engaged in certain service concession arrangements, pursuant to which the Group is required to build, operate and transfer the urban infrastructures and received in return rights to the income arising from operation of such infrastructures for certain concession periods after the completion of construction of such urban infrastructures. The measurement of revenue and cost for the service concession arrangements involved significant management judgement and estimates, including determination of applicable accounting model, estimating future guaranteed receipts, estimation of prevailing market rate of construction gross margins, and discount rate used. More details are set out in note 2.4 "Service concession arrangements", note 3 "Significant accounting judgements and estimates" – accounting for service concession arrangements, note 5 "Revenue, other income and gains", note 14 "Intangible assets", note 20 "Financial receivables" and note 22 "Contract assets" to the consolidated financial statements.	We obtained an understanding of, assessed and tested the relevant internal controls over accounting for service concession arrangements, assessed whether the accounting model adopted was in line with IFRS by reviewing the contract terms of whether the Group has an unconditional contractual right under the service concession arrangement to receive a determinable amount of payments during the concession period, and reviewed the methods and assumptions in determining the future guaranteed receipts estimated. We involved our internal valuation specialist to assess the rate of construction gross margins and discount rate used. We tested the calculation of financial receivables, intangible assets and revenue. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
25 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	*5*	**8,414,039**	7,186,146
Cost of sales	*7*	**(6,734,842)**	(5,762,345)
Gross profit		**1,679,197**	1,423,801
Other income and gains	*5*	**382,919**	348,188
Selling and distribution expenses		**(73,149)**	(90,395)
Administrative expenses		**(827,541)**	(710,714)
Impairment losses on financial and contract assets, net		**(175,636)**	(85,123)
Other expenses		**(1,744)**	(103)
Finance costs	*6*	**(232,058)**	(189,931)
Share of profits and losses of:			
Joint ventures		**14,700**	(13,594)
Associates		**3,232**	4,803
PROFIT BEFORE TAX	*7*	**769,920**	686,932
Income tax expense	*9*	**(104,344)**	(133,126)
PROFIT FOR THE YEAR		**665,576**	553,806
Profit attributable to:			
Owners of the parent		**658,085**	562,382
Non-controlling interests		**7,491**	(8,576)
		665,576	553,806
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**(147)**	(222)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**5,738**	–
Re-measurement loss on defined benefit plans, net of tax	*29*	**(620)**	(7,190)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**5,118**	(7,190)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**4,971**	(7,412)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**670,547**	546,394

	Notes	2019 RMB'000	2018 RMB'000
Attributable to:			
Owners of the parent		**663,056**	554,970
Non-controlling interests		**7,491**	(8,576)
		670,547	546,394
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*11*	**0.49**	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**642,892**	498,519
Prepaid land lease payments	*13(a)*	**–**	221,170
Right-of-use assets	*13(b)*	**476,073**	–
Intangible assets	*14*	**102,215**	7,074
Investments in joint ventures	*15*	**1,066,393**	103,130
Investments in associates	*16*	**75,642**	98,679
Financial assets at fair value through profit or loss	*17*	**134,640**	–
Equity investments designated at fair value through other comprehensive income	*18*	**17,452**	8,650
Deferred tax assets	*19*	**181,725**	128,537
Financial receivables	*20*	**2,692,290**	2,897,230
Contract assets	*22*	**2,159,424**	1,478,469
Prepayments, other receivables and other assets	*24*	**237,172**	354,051
Total non-current assets		**7,785,918**	5,795,509
CURRENT ASSETS			
Prepaid land lease payments	*13*	**–**	5,152
Inventories	*21*	**116,223**	99,947
Trade and bills receivables	*23*	**4,768,740**	3,254,521
Prepayments, other receivables and other assets	*24*	**1,010,712**	712,563
Contract assets	*22*	**2,370,703**	2,311,571
Financial receivables	*20*	**498,737**	309,235
Pledged deposits	*25*	**22,879**	21,214
Cash and bank balances	*25*	**3,884,935**	3,892,576
Total current assets		**12,672,929**	10,606,779
CURRENT LIABILITIES			
Trade and bills payables	*26*	**3,988,972**	2,849,156
Other payables and accruals	*27*	**5,734,357**	3,892,892
Interest-bearing bank and other borrowings	*28*	**576,354**	508,400
Provisions for supplementary retirement benefits	*29*	**3,750**	3,690
Tax payable		**22,884**	38,646
Provision	*30*	**4,812**	27,121
Total current liabilities		**10,331,129**	7,319,905
NET CURRENT ASSETS		**2,341,800**	3,286,874
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,127,718**	9,082,383

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*19*	**12,294**	4,038
Interest-bearing bank and other borrowings	*28*	**4,578,869**	4,098,225
Provisions for supplementary retirement benefits	*29*	**67,055**	65,836
Other payables and accruals	*27*	**320,746**	292,131
Provision	*30*	**51,869**	39,048
Total non-current liabilities		**5,030,833**	4,499,278
Net assets		**5,096,885**	4,583,105
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**1,348,670**	1,348,670
Reserves	*32*	**3,483,614**	2,969,181
		4,832,284	4,317,851
Non-controlling interests		**264,601**	265,254
Total equity		**5,096,885**	4,583,105

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

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

	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 31 December 2017 and 1 January 2018	1,348,670	743,558	–	195,792	227	1,632,329	3,920,576	262,742	4,183,318
Effect of adoption of IFRS 9, net of tax	–	(1,252)	–	–	–	(22,385)	(23,637)	(463)	(24,100)
At 1 January 2018 (restated)	1,348,670	742,306	–	195,792	227	1,609,944	3,896,939	262,279	4,159,218
Profit for the year	–	–	–	–	–	562,382	562,382	(8,576)	553,806
Other comprehensive loss for the year:									
Re-measurement loss on defined benefit plans, net of tax	–	(7,190)	–	–	–	–	(7,190)	–	(7,190)
Exchange differences on translation of foreign operations	–	–	–	–	(222)	–	(222)	–	(222)
Total comprehensive income/(loss) for the year	–	(7,190)	–	–	(222)	562,382	554,970	(8,576)	546,394
Acquisition of a subsidiary	–	–	–	–	–	–	–	8,339	8,339
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	15,000	15,000
Final 2017 dividend declared	–	–	–	–	–	(134,058)	(134,058)	–	(134,058)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	(11,788)	(11,788)
Appropriation to statutory surplus reserve	–	–	–	53,587	–	(53,587)	–	–	–
Transfer to special reserve *(note (i))*	–	–	87,549	–	–	(87,549)	–	–	–
Utilisation of special reserve *(note (i))*	–	–	(87,549)	–	–	87,549	–	–	–
At 31 December 2018	1,348,670	735,116*	–*	249,379*	5*	1,984,681*	4,317,851	265,254	4,583,105

* The reserve accounts comprise the consolidated reserves of RMB3,483,614,000 (31 December 2018: RMB2,969,181,000) in the consolidated statement of financial position as at 31 December 2019.

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 2018 and 2019 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 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**769,920**	686,932
Adjustments for:			
Finance costs	*6*	**232,058**	189,931
Foreign exchange differences, net	*7*	**(7,773)**	(9,671)
Interest income	*5*	**(343,134)**	(327,798)
Share of (profits) and losses of associates and joint ventures		**(17,932)**	8,791
Gains on disposal of financial assets at fair value through profit or loss	*7*	**(2,198)**	(4,933)
Depreciation of right-of-use assets	*7*	**97,127**	–
Depreciation of items of property, plant and equipment	*7*	**74,394**	82,292
Amortisation of intangible assets	*7*	**2,715**	2,906
Amortisation of prepaid land lease payments	*7*	**–**	5,151
Impairment of trade and bills receivables, net	*7*	**126,053**	106,305
(Reversal of impairment)/impairment of financial receivables, net	*7*	**(18)**	570
Impairment of other receivables, net	*7*	**6,103**	1,459
Impairment/(reversal of impairment) of contract assets, net	*7*	**43,498**	(23,211)
(Reversal of provision)/provision for foreseeable losses on contracts, net		**(3,492)**	13,225
Loss on disposal of items of property, plant and equipment, net	*7*	**2**	103
		977,323	732,052
Increase in inventories		**(16,276)**	(20,331)
Increase in contract assets		**(783,585)**	(3,779,145)
Changes in amounts due from/to contract customers		**–**	410,318
Increase in trade and bills receivables		**(1,640,272)**	(950,704)
(Increase)/decrease in prepayments, other receivables and other assets		**(3,213)**	472,625
Decrease in financial receivables		**171,283**	640,947
Increase in trade and bills payables		**955,577**	167,830
Increase in other payables and accruals		**1,898,346**	1,645,185
(Decrease)/increase in provision		**(5,996)**	44,319
Increase in provisions for supplementary retirement benefits		**599**	156
Cash flows from/(used in) operations		**1,553,786**	(636,748)
Interest received		**33,736**	95,578
Income tax paid		**(166,952)**	(169,444)
Net cash flows from/(used in) operating activities		**1,420,570**	(710,614)

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(168,052)**	(119,154)
Purchases of intangible assets		**(103,904)**	(3,795)
Purchases of financial assets at fair value through profit or loss		**(249,640)**	(445,000)
Addition of investments in associates and joint ventures		**(953,214)**	(78,280)
Addition of equity investments designated at fair value through other comprehensive income		**(1,151)**	–
Proceeds from disposal of items of property, plant and equipment		**1,126**	921
Proceeds from disposal of financial assets at fair value through profit or loss		**117,198**	461,186
Dividends received from associates and joint ventures		**1,109**	637
Withdrawal of borrowings to a joint venture and an associate		**99,907**	409,954
Acquisition of subsidiaries, net of cash acquired		**–**	1,297
Increase in non-pledged time deposits with original maturity of more than three months		**(1,000)**	–
Increase in pledged deposits		**(1,666)**	(37)
Net cash flows (used in)/from investing activities		**(1,259,287)**	227,729
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(233,157)**	(186,206)
Dividend paid to shareholders		**(145,719)**	(134,058)
Dividend paid to non-controlling shareholders		**(9,445)**	(9,804)
Principal portion of lease payments		**(91,884)**	–
Capital contribution from non-controlling shareholders		**–**	15,000
New bank and other borrowings		**673,958**	1,459,193
Repayment of bank and other borrowings		**(368,400)**	(160,000)
Net cash flows (used in)/from financing activities		**(174,647)**	984,125
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,364)**	501,240
Cash and cash equivalents at beginning of year		**3,892,376**	3,381,687
Effect of exchange rate changes on cash and cash equivalents		**4,723**	9,449
CASH AND CASH EQUIVALENTS AT END OF YEAR	*25*	**3,883,735**	3,892,376

1. CORPORATE AND GROUP INFORMATION

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

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

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

– Design, survey and consultancy services for urban rail transit and urban rail transit related industrial and civil construction and municipal engineering projects;

– Construction contracting services for urban rail transit and the service concession arrangements under the build-operate-transfer ("BOT") arrangements.

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

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

Notes:

(i) Beijing Urban Construction Xingjie Property Management Co., Ltd. is renamed to Beijing Urban Construction Xingjie Commercial Operation Management Co., Ltd. on 10 September 2019.

(ii) On 30 October 2019, the Company acquired an additional 1% equity of Jiangsu Jingjian Capital Construction Investment Co., Ltd. from its subsidiary, so the Company directly owned 90% of equity interest of Jiangsu Jingjian Capital Construction Investment Co., Ltd.

All the subsidiaries are limited liability companies.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements* to *IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/(decrease) RMB' 000
Assets	
Increase in right-of-use assets	389,585
Decrease in prepayments, other receivables and other assets	(36,542)
Decrease in prepaid land lease payments	(226,322)
Increase in total assets	126,721
Liabilities	
Increase in interest-bearing bank and other borrowings	126,721
Increase in total liabilities	126,721

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB' 000
Operating lease commitments as at 31 December 2018	187,467
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(22,291)
	165,176
Weighted average incremental borrowing rate as at 1 January 2019	4.78%
Discounted operating lease commitments as at 1 January 2019	126,721
Lease liabilities as at 1 January 2019	126,721

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to IAS 28 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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC Interpretation 23 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2022

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

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Buildings	2.4%
Machinery	6.5%-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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

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.

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 (applicable from 1 January 2019)

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Buildings	7.7%-92.3%
Motor vehicles	22.2%-85.7%
Land	2.16%

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

(b) Lease liabilities

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

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

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

Group as a lessor

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable before 1 January 2019)

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.

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 infrastructures for the Grantor and receives in return a right to operate the urban infrastructures concerned for a specified period of time (the "Operation Period") in accordance with the pre-established conditions set by the Grantor, the urban infrastructures should be transferred to the Grantor with nil consideration at the end of the Operation Period.

Consideration given by the Grantors

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

Construction or upgrade services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (continued)

Operating services

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

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:

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

General approach

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

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

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

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

Construction services, design, survey and consultancy services

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

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

Revenue from other sources

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other income

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

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

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

Borrowing costs

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

Dividends

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

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

The functional currency of a certain overseas subsidiary is a currency other than RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into RMB at the exchange rate prevailing at the end of the reporting period and its statements of profit or loss 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 statement of financial position in respect of these defined benefit plans are the present value of the defined benefit obligations at the end of each reporting period. The defined benefit obligation is calculated by independent qualified actuaries using the projected unit credit method annually, or when any material changes in the plans and key assumptions will occur. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Re-measurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. 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

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

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

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

Termination benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Housing fund and other social insurances

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Accounting for service concession arrangements

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Revenue from contracts with customers

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

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

Estimation uncertainty

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

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

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

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

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

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets

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

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

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

Impairment of non-financial assets (other than goodwill)

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

Determination of fair value of financial instruments

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Pension benefits

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

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Segment liabilities exclude tax payable 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 2019

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	3,662,649	4,751,390	–	8,414,039
Intersegment sales	7,794	–	(7,794)	–
Total revenue	3,670,443	4,751,390	(7,794)	8,414,039
Segment results	533,971	123,759	(1,084)	656,646
Interest income	2,149	326,121	–	328,270
Finance costs	(10,922)	(221,136)	–	(232,058)
Gains on disposal of financial assets at fair value through profit or loss	2,198	–	–	2,198
Profit of segments for the year	527,396	228,744	(1,084)	755,056
Income tax expense				(104,344)
Unallocated interest income				14,864
Profit for the year				665,576
Segment assets	8,184,031	11,598,418	(1,299,711)	18,482,738
Corporate and other unallocated assets				1,976,109
Total assets				20,458,847
Segment liabilities	6,574,263	10,010,018	(1,257,497)	15,326,784
Corporate and other unallocated liabilities				35,178
Total liabilities				15,361,962
Other segment information				
Share of profits and losses of:				
Joint ventures	14,700	–	–	14,700
Associates	3,232	–	–	3,232
Depreciation	123,826	52,847	–	176,673
Amortisation	2,715	–	–	2,715
Provision for/(reversal of provision)				
– foreseeable losses on contracts	1,155	(4,647)	–	(3,492)
– impairment of trade receivables, financial receivables, other receivables, contract assets, net	116,398	59,238	–	175,636
Investments in joint ventures	1,066,393	–	–	1,066,393
Investments in associates	75,642	–	–	75,642
Capital expenditure *	341,537	172,884	–	514,421

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	3,514,181	3,671,965	–	7,186,146
Intersegment sales	65,118	–	(65,118)	–
Total revenue	3,579,299	3,671,965	(65,118)	7,186,146
Segment results	471,827	48,532	23,773	544,132
Interest income	8,141	307,476	–	315,617
Finance costs	–	(189,931)	–	(189,931)
Gains on disposal of financial assets at fair value through profit or loss	2,651	2,282	–	4,933
Profit of segments for the year	482,619	168,359	23,773	674,751
Income tax expense				(133,126)
Unallocated interest income				12,181
Profit for the year				553,806
Segment assets	5,565,976	9,362,709	(169,312)	14,759,373
Corporate and other unallocated assets				1,642,915
Total assets				16,402,288
Segment liabilities	4,866,889	7,179,469	(269,859)	11,776,499
Corporate and other unallocated liabilities				42,684
Total liabilities				11,819,183
Other segment information				
Share of profits and losses of:				
Joint ventures	(13,594)	–	–	(13,594)
Associates	4,803	–	–	4,803
Depreciation	34,001	48,291	–	82,292
Amortisation	8,057	–	–	8,057
Provision for				
– foreseeable losses on contracts	10,524	2,701	–	13,225
– impairment of trade receivables, financial receivables, other receivables, contract assets, net	66,993	18,130	–	85,123
Investments in joint ventures	103,130	–	–	103,130
Investments in associates	98,679	–	–	98,679
Capital expenditure	50,125	101,221	–	151,346

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2019 RMB'000	2018 RMB'000
China	**8,376,687**	7,149,706
Other countries	**37,352**	36,440
	8,414,039	7,186,146

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

(b) Non-current assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
China	**4,737,222**	2,407,041

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

During the year ended 31 December 2018, there was one customer of the Group from which the revenue accounted for over 10% of the Group's total revenue.

Year ended 31 December 2019

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

Year ended 31 December 2018

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	206,721	960,868	1,167,589

5. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers	**8,410,660**	7,173,271
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**943**	12,585
Other lease payments, including fixed payments	**2,436**	290
	3,379	12,875
	8,414,039	7,186,146

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Type of goods or services		
Design, survey and consultancy	**3,660,213**	3,513,891
Construction contracting	**4,750,447**	3,659,380
	8,410,660	7,173,271
Timing of revenue recognition		
Services transferred at a point in time	**214,644**	40,092
Services transferred over time	**8,196,016**	7,133,179
	8,410,660	7,173,271
Geographical markets		
China	**8,373,308**	7,136,831
Other countries	**37,352**	36,440
	8,410,660	7,173,271

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2019

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

For the year ended 31 December 2018

Segment	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	3,513,891	3,659,380	7,173,271
Intersegment sales	65,118	–	65,118
	3,579,009	3,659,380	7,238,389
Intersegment adjustments and eliminations	(65,118)	–	(65,118)
Total revenue from contracts with customers	3,513,891	3,659,380	7,173,271

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Design, survey and consultancy services

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

Construction services

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income and gains		
Interest income	**343,134**	327,798
Gains on disposal of financial assets at fair value through profit or loss	**2,198**	4,933
Government grants	**12,942**	2,574
Foreign exchange gains	**7,773**	9,671
Additional tax deduction for input VAT	**14,697**	–
Others	**2,175**	3,212
	382,919	348,188

6. FINANCE COSTS

An analysis of finance costs is as follows:

		Year ended 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
Interest on bank and other borrowings		**222,582**	189,931
Interest on lease liabilities	*13(c)*	**9,476**	–
		232,058	189,931

7. PROFIT BEFORE TAX

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

		Year ended 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
Cost of design, survey and consultancy services		**2,501,772**	2,432,770
Cost of construction contracts		**4,233,070**	3,329,575
Total cost of sales		**6,734,842**	5,762,345
Depreciation of property, plant and equipment	*12/(a)*	**74,394**	82,292
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	*13(a)/ 13(b)/(a)*	**97,127**	5,151
Amortisation of intangible assets	*14*	**2,715**	2,906
Total depreciation and amortisation		**174,236**	90,349
Impairment of trade and bills receivables, net	*23*	**126,053**	106,305
(Reversal of impairment)/impairment of financial receivables, net	*20*	**(18)**	570
Impairment of other receivables, net	*24*	**6,103**	1,459
Impairment/(reversal of impairment) of contract assets, net	*22*	**43,498**	(23,211)
Lease payments not included in the measurement of lease liabilities	*(b)*	**112,381**	–
Lease expenses under operating leases	*(c)*	**–**	176,236
Auditor's remuneration		**5,558**	3,380
Employee benefit expenses	*(d)*		
(excluding Directors' and supervisors' remuneration):			
Wages, salaries and allowances		**1,416,345**	1,292,072
Retirement benefit costs			
– Defined contribution retirement schemes		**155,220**	141,497
– Defined benefit retirement schemes	*29*	**3,780**	3,670
Total retirement benefit costs		**159,000**	145,167
Welfare and other expenses		**235,250**	229,051
Total employee benefit expenses		**1,810,595**	1,666,290
Interest income	*5*	**(343,134)**	(327,798)
Government grants	*5*	**(12,942)**	(2,574)
Gains on disposal of financial assets at fair value through profit or loss	*5*	**(2,198)**	(4,933)
Loss on disposal of items of property, plant and equipment, net		**2**	103
Foreign exchange differences, net	*5*	**(7,773)**	(9,671)

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

(a) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB97,205,000 (2018: RMB23,699,000) was included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(b) Lease payments not included in the measurement of lease liabilities of approximately RMB84,881,000 were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(c) Lease expenses under operating lease of approximately RMB146,322,000 were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(d) Employee benefit expenses of approximately RMB1,223,205,000 (2018: RMB1,275,348,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

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

(a) Directors' and supervisors' remuneration

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees	**725**	725
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,125**	1,053
– Performance-related bonuses	**2,997**	2,806
– Pension schemes	**393**	412
	5,240	4,996

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

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

Year ended 31 December 2019

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

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

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

Year ended 31 December 2018

	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)		–	265	763	93	1,121
Mr. Li Guoqing (李國慶)		–	309	755	92	1,156
		–	574	1,518	185	2,277
Non-executive directors						
Ms. Wang Liping (王麗萍)		–	–	–	–	–
Mr. Yan Lianyuan (閆連元)		–	–	–	–	–
Mr. Su Bin (蘇斌)		–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)		–	–	–	–	–
Mr. Guan Jifa (關繼發)		–	–	–	–	–
Ms. Guo Yanhong (郭延紅)		–	–	–	–	–
Mr. Shi Yubin (史育斌)	*(i)*	–	–	–	–	–
Ms. Wu Donghui (吳東慧)		–	–	–	–	–
Mr. Ren Yuhang (任宇航)		–	–	–	–	–
Mr. Yu Xiaojun (郁曉軍)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Mr. Zhang Fengchao (張鳳朝)		–	–	–	–	–
Mr. Qin Guisheng (覃桂生)		131	–	–	–	131
Mr. Yim Fung (閻峰)	*(iii)*	131	–	–	–	131
Mr. Sun Maozhu (孫茂竹)		131	–	–	–	131
Mr. Liang Qinghuai (梁青槐)		131	–	–	–	131
Mr. Wang Dexing (王德興)		131	–	–	–	131
		655	–	–	–	655
Supervisors						
Ms. Nie Kun (聶菎)		–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
Ms. Yang Huiju (楊卉菊)		–	170	497	91	758
Mr. Liu Hao (劉皓)		–	157	602	87	846
Mr. Ban Jianbo (班健波)		–	152	189	49	390
Mr. Yuan Guoyue (袁國躍)	*(v)*	–	–	–	–	–
Ms. Zhao Hong (趙鴻)	*(v)*	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		70	–	–	–	70
		70	479	1,288	227	2,064
		725	1,053	2,806	412	4,996

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

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

Notes:

(i) Mr. Shi Yubin resigned as non-executive director with effect from 30 December 2019.

(ii) Mr. Pei Hongwei was appointed as non-executive director with effect from 30 December 2019.

(iii) Mr. Yim Fung resigned as independent non-executive director with effect from 30 December 2019.

(iv) Mr. Ma Xufei was appointed as independent non-executive director with effect from 30 December 2019.

(v) Mr. Yuan Guoyue and Ms. Zhao Hong resigned as supervisors with effect from 30 December 2019 and 19 July 2019 respectively.

(vi) Mr. Hu Shengjie and Mr. Liang Wangnan were appointed as supervisors with effect from 30 December 2019.

(b) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the years ended 31 December 2019 and 2018 is as follows:

	Year ended 31 December	
	2019	2018
Non-director and non-supervisor employees	**5**	5

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,490**	947
Performance-related bonuses	**8,697**	10,200
Pension schemes	**408**	305
	10,595	11,452

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

(b) Five highest paid employees (continued)

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

	Year ended 31 December	
	2019	2018
HK$2,000,001 to HK$2,500,000 (Equivalent to RMB1,791,561 to RMB2,239,450)	**4**	1
HK$2,500,001 to HK$3,000,000 (Equivalent to RMB2,239,451 to RMB2,687,340)	**1**	4

During the years ended 31 December 2019 and 2018, no directors, supervisors, and none of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and certain subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2019 and 2018 in accordance with the PRC Corporate Income Tax Law. A subsidiary of the Group has been identified as "software enterprises" and was entitled to a preferential income tax at a rate of 12.5% for the years ended 31 December 2019 and 2018. 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 2019 and 2018.

		Year ended 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
Current income tax – Mainland China		**151,188**	150,055
Deferred income tax	*19*	**(46,844)**	(16,929)
Tax charge for the year		**104,344**	133,126

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 2019 and 2018 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**769,920**	686,932
Income tax at the statutory income tax rate	**192,480**	171,733
Effect of different income tax rate for some entities	**(73,025)**	(57,276)
Tax effect of share of profits and losses of joint ventures and associates	**(4,483)**	2,198
Additional tax deduction for research and development expenditure	**(18,254)**	(12,599)
Expenses not deductible for tax purposes	**3,298**	5,871
Adjustments in respect of current tax of previous periods	**(1,516)**	(2,695)
Tax losses not recognised	**5,844**	25,894
Tax charge for the year at the effective rate	**104,344**	133,126

10. DIVIDENDS

The dividends during the years ended 31 December 2019 and 2018 are set out below:

		Year ended 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
Declared:			
Final dividend – RMB0.1102 (2017: RMB0.0994) per ordinary share	*(i)*	**148,623**	134,058
Proposed:			
Final dividend – Nil (2018: RMB0.1102) per ordinary share	*(ii)*	**–**	148,623

Notes:

(i) At the annual general meeting held on 29 May 2019, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2018 of RMB0.1102 per share which amounted to RMB148,623,000 and was settled in July 2019.

(ii) Pursuant to Rule 18 of "Measures for the Administration of Securities Issuance and Underwriting" of China Securities Regulatory Commission ("CSRC") and related regulatory Q&A requirements, the Company could only issue securities domestically after the profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or yet to be implemented though being approved by the general meeting, have been implemented. To ensure the Company's issuance and listing of A Share related works are steadily pushing ahead whereas the Company's A Share prospectus has been pre-disclosed on the CSRC website, the directors of the Company recommended that no final dividend in respect of the year ended 31 December 2019 will be declared on 25 March 2020.

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

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**658,085**	562,382

	Year ended 31 December	
	2019	2018
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**1,348,670**	1,348,670

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2019

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

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2018

	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 2018:									
Cost	122,409	279,641	7,265	48,437	74,249	74,650	58,014	54,617	719,282
Accumulated depreciation	(22,755)	(123,736)	(2,303)	(20,336)	(31,249)	(49,276)	(33,715)	–	(283,370)
Net carrying amount	99,654	155,905	4,962	28,101	43,000	25,374	24,299	54,617	435,912
At 1 January 2018, net of accumulated depreciation	99,654	155,905	4,962	28,101	43,000	25,374	24,299	54,617	435,912
Acquisition of a subsidiary	–	–	–	1,142	–	406	–	–	1,548
Additions	2,198	16,163	1,083	2,301	19,498	14,196	25,182	64,039	144,660
Transfers from construction in progress to fixed assets	–	64,528	–	–	–	–	–	(64,528)	–
Disposals	–	(323)	(14)	(183)	(88)	(701)	–	–	(1,309)
Depreciation provided during the year *(note 7)*	(2,960)	(36,982)	(751)	(4,906)	(6,261)	(8,843)	(21,589)	–	(82,292)
At 31 December 2018, net of accumulated depreciation	98,892	199,291	5,280	26,455	56,149	30,432	27,892	54,128	498,519
At 31 December 2018:									
Cost	124,607	356,055	8,109	51,043	92,873	85,295	83,196	54,128	855,306
Accumulated depreciation	(25,715)	(156,764)	(2,829)	(24,588)	(36,724)	(54,863)	(55,304)	–	(356,787)
Net carrying amount	98,892	199,291	5,280	26,455	56,149	30,432	27,892	54,128	498,519

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB6,262,000 as at 31 December 2019 (2018: RMB6,448,000). 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 2019.

13. LEASES

The Group as a lessee

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

(a) *Prepaid land lease payments (before 1 January 2019)*

	Note	2018 RMB'000
Carrying amount at 1 January 2018		231,473
Amortisation for the year	*7*	(5,151)
Carrying amount at 31 December 2018		226,322
Portion classified as current assets		(5,152)
Non-current portion		221,170

(b) *Right-of-use assets*

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

	Prepaid land lease payments RMB'000	**Buildings RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
As at 1 January 2019	**226,322**	**151,736**	**11,527**	**389,585**
Additions	**–**	**190,678**	**5,992**	**196,670**
Disposal	**–**	**(7,903)**	**–**	**(7,903)**
Depreciation for the year	**(5,152)**	**(89,223)**	**(7,904)**	**(102,279)**
As at 31 December 2019	**221,170**	**245,288**	**9,615**	**476,073**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) *Lease liabilities*

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

	Note	2019 RMB'000
Carrying amount at 1 January		126,721
New leases		196,670
Disposal		(7,891)
Accretion of interest recognised during the year	*6*	9,476
Payments		(91,884)
Carrying amount at 31 December		233,092
Portion classified as current liabilities		(84,700)
Non-current portion		148,392

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2019 RMB'000
Interest on lease liabilities	9,476
Depreciation of right-of-use assets	102,279
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	38,912
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	78,668
Total amount recognised in profit or loss	229,335

13. LEASE (CONTINUED)

The Group as a lessor

The Group leases its equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,379,000 (2018: RMB12,875,000), details of which are included in note 5 to the financial statements.

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

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

14. INTANGIBLE ASSETS

31 December 2019

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

14. INTANGIBLE ASSETS (CONTINUED)

31 December 2018

	Note	Software RMB'000	Total RMB'000
At 1 January 2018:			
Cost		25,513	25,513
Accumulated amortisation for the year		(19,328)	(19,328)
Net carrying amount		6,185	6,185
Cost at beginning of the year, net of accumulated amortisation		6,185	6,185
Additions		3,795	3,795
Amortisation provided during the year	*7*	(2,906)	(2,906)
At 31 December 2018		7,074	7,074
At 31 December 2018:			
Cost		29,308	29,308
Accumulated amortisation for the year		(22,234)	(22,234)
Net carrying amount		7,074	7,074

15. INVESTMENTS IN JOINT VENTURES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	**1,066,393**	103,130

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

The above investments are directly held by the Company.

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

In the opinion of the directors, except for Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. none of the joint ventures is individually material to the Group.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets	**4,021,320**	8,498
Current assets	**506,710**	83,663
Total assets	**4,528,030**	92,161
Current liabilities	**1,159,920**	12,895
Non-current liabilities	**2,105,076**	–
Total liabilities	**3,264,996**	12,895
Net assets	**1,263,034**	79,266
Proportion of the Group's ownership	**78.28%**	78.28%
Carrying amount of the investment	**1,016,718**	62,049

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Share of the joint ventures' (loss)/profit for the year	**(3,406)**	2,636
Share of the joint ventures' other comprehensive income	**–**	–
Share of the joint ventures' total comprehensive (loss)/income	**(3,406)**	2,636
Aggregate carrying amount of the Group's investments in the joint ventures	**49,675**	41,081

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

16. INVESTMENTS IN ASSOCIATES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	**75,642**	98,679

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

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

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Share of the associates' profit for the year	**3,232**	4,803
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**3,232**	4,803

	31 December 2019 RMB'000	31 December 2018 RMB'000
Aggregate carrying amount of the Group's investments in the associates	**75,642**	98,679

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Unlisted equity investment, at fair value		
Shaoxing Jingyue Metro Co., Ltd. (“紹興京越地鐵有限公司”)	134,640	–

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

The Group provided design, survey and consultancy services to Shaoxing Jingyue Metro Co., Ltd. amounted to RMB17,045,000 for the year ended 31 December 2019.

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Jiangsu Urban Rail Transit Design Research Institute Co., Ltd. (“江蘇城市軌道交通研究設計院股份有限公司”)	4,400	3,650
Zhongdixin Geographic Information Equity Investment Fund Limited (“中地信地理信息股權投資基金”)	11,900	5,000
Beijing Capital Engineering Company (“北京首都工程公司”)	–	–
Qingdao West Coast Citizen Center Investment Construction Co., Ltd. (“青島西海岸市民中心投資建設有限公司”)	1,152	–
	17,452	8,650

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

19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2019 and 2018 are as follows:

	Note	2019 RMB'000	2018 RMB'000
Deferred tax assets:			
At beginning of the year		128,537	105,541
Effect of adoption of IFRS 9		–	5,057
At beginning of the year (restated)		128,537	110,598
Acquisition of a subsidiary		–	45
Deferred tax credited to profit or loss during the year	*9*	53,188	17,894
At end of the year		181,725	128,537
Deferred tax liabilities:			
At beginning of the year		4,038	3,073
Deferred tax charged to profit or loss during the year	*9*	6,344	965
Deferred tax charged to other comprehensive income during the year		1,912	–
At end of the year		12,294	4,038

19. DEFERRED TAX (CONTINUED)

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	114,332	90,839
Provision for impairment of equity investments designated at fair value through other comprehensive income	–	325
Provision for impairment of contract assets	7,842	1,545
Provision for foreseeable losses on construction and service contracts	3,084	7,967
Provision of warranty	10,779	6,467
Lease liabilities	32,299	–
Accrued employee costs	10,652	8,100
Unrealised gains arising from intra-group transactions	17,010	6,689
Tax losses	17,672	6,318
Others	262	287
Gross deferred tax assets	213,932	128,537
Deferred tax liabilities:		
Changes in fair value of other equity instruments	1,912	–
Right-of-use assets	35,763	–
Differences on depreciation of property, plant and equipment	6,826	4,038
Gross deferred tax liabilities	44,501	4,038

19. DEFERRED TAX (CONTINUED)

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

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

The Group has tax losses arising in Hong Kong of RMB1,445,000 (2018: RMB2,081,000) 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 RMB21,931,000 (2018: RMB90,596,000) 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.

20. FINANCIAL RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Receivables for service concession arrangements	**3,194,219**	3,209,675
Provision for impairment	**(3,192)**	(3,210)
Receivables for service concession arrangements, net	**3,191,027**	3,206,465
Portion classified as non-current assets	**(2,692,290)**	(2,897,230)
Current portion	**498,737**	309,235

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

		Year ended 31 December	
	Note	2019 RMB'000	2018 RMB'000
At beginning of the year		**3,210**	–
Effect of adoption of IFRS 9		**–**	2,640
At beginning of the year (restated)		**3,210**	2,640
Impairment losses recognised	*7*	**(18)**	570
At end of the year		**3,192**	3,210

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

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

At 31 December 2019, the Group's financial receivables of RMB3,191,027,000 (31 December 2018: RMB3,209,675,000) were pledged to secure certain of the Group's bank loans, amounting to RMB4,225,173,000 (31 December 2018: RMB3,894,225,000) (note 28).

21. INVENTORIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Raw materials	107,327	89,818
Spare parts and consumables	8,896	10,129
	116,223	99,947

22. CONTRACT ASSETS

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract assets arising from:				
Design, survey and consultancy services		1,817,101	1,744,029	1,351,978
Construction services		309,955	372,870	637,518
Service concession arrangements		2,457,632	1,684,204	2,015,520
		4,584,688	3,801,103	4,005,016
Impairment		(54,561)	(11,063)	(34,274)
		4,530,127	3,790,040	3,970,742
Portion classified as non-current contract assets	*(i)*	(2,159,424)	(1,478,469)	(876,877)
Current portion		2,370,703	2,311,571	3,093,865

Note:

(i) The non-current portion of contract assets mainly represented the contract assets arising from service concession arrangements as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018, the amounts of retentions held by customers for contract works included in contract assets were approximately as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Amounts of retentions in contract assets	179,079	60,355

22. CONTRACT ASSETS (CONTINUED)

Contract assets are initially recognised for revenue earned from the provision of design, survey and consultancy services and construction services as the receipt of consideration is conditional on successful progress of completion of design, survey and consultancy and construction, respectively. Upon the progress of completion of design, survey and consultancy or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the provision of design, survey and consultancy and construction services at the end of the years.

During the year ended 31 December 2019, RMB54,561,000 (2018: RMB11,063,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 23 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2019 and 2018 are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year	**2,370,703**	2,311,571
After one year	**2,159,424**	1,478,469
Total contract assets	**4,530,127**	3,790,040

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

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
At beginning of the year		**11,063**	23,572
Effect of adoption of IFRS 9		**–**	10,702
At beginning of the year (restated)		**11,063**	34,274
Impairment losses recognised	*7*	**43,663**	777
Impairment losses reversed	*7*	**(165)**	(23,988)
At end of the year		**54,561**	11,063

22. CONTRACT ASSETS (CONTINUED)

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

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

	31 December 2019	31 December 2018
Expected credit loss rate	**1.19%**	0.29%
	RMB'000	RMB'000
Gross carrying amount	**4,584,688**	3,801,103
Expected credit losses	**54,561**	11,063

As at 31 December 2019, the Group's contract assets of RMB2,275,118,000 (2018: RMB1,622,519,000) were pledged to secure certain of the Group's bank loans, amounting to RMB4,225,173,000 (2018: RMB3,894,225,000)(note 28).

22. CONTRACT ASSETS (CONTINUED)

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Beneficial Shareholders and their affiliates	318,416	440,828
BUCG	60,691	70,436
Fellow subsidiaries	24,584	4,865
Associates of BUCG	3,568	901
Associates	3,111	422
A joint venture of BUCG	244	-
A joint venture	227	146
	410,841	517,598

(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.

23. TRADE AND BILLS RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables	5,270,990	3,584,568
Bills receivable	49,761	95,911
	5,320,751	3,680,479
Impairment	(552,011)	(425,958)
	4,768,740	3,254,521

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.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	**1,510,021**	1,118,644
3 months to 6 months	**1,229,767**	368,025
6 months to 1 year	**503,646**	779,009
1 to 2 years	**851,680**	595,556
2 to 3 years	**451,019**	278,090
3 to 4 years	**180,594**	61,748
4 to 5 years	**37,497**	45,620
Over 5 years	**4,516**	7,829
	4,768,740	3,254,521

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

	Note	2019 RMB'000	2018 RMB'000
At beginning of the year		**425,958**	303,522
Effect of adoption of IFRS 9		**–**	15,843
At beginning of the year (restated)		**425,958**	319,365
Acquisition of a subsidiary		**–**	288
Impairment losses recognised	*7*	**130,161**	118,635
Impairment losses reversed	*7*	**(4,108)**	(12,330)
At end of the year		**552,011**	425,958

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

As at 31 December 2019

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	86.93%	59,641	51,847
Collectively impaired			
Within 6 months	0.52%	2,754,224	14,437
6 months to 1 year	4.03%	523,252	21,107
1 to 2 years	9.32%	949,426	88,523
2 to 3 years	16.51%	522,696	86,281
3 to 4 years	29.96%	255,013	76,406
4 to 5 years	49.99%	74,986	37,489
5 to 6 years	89.59%	53,699	48,107
Over 6 years	100.00%	127,814	127,814
	9.51%	5,261,110	500,164
Total	10.37%	5,320,751	552,011

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2018

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	79.11%	104,140	82,390
Collectively impaired			
Within 6 months	0.50%	1,468,563	7,310
6 months to 1 year	3.92%	805,906	31,600
1 to 2 years	8.09%	662,761	53,619
2 to 3 years	16.61%	329,849	54,796
3 to 4 years	30.35%	93,902	28,497
4 to 5 years	49.85%	83,062	41,402
5 to 6 years	90.35%	61,673	55,721
Over 6 years	100.00%	70,623	70,623
	9.61%	3,576,339	343,568
Total	11.57%	3,680,479	425,958

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Joint ventures	**935,785**	–
Beneficial Shareholders and their affiliates	**851,621**	658,141
BUCG	**162,000**	52,236
Fellow subsidiaries	**23,104**	15,324
Associates	**1,602**	2,003
An associate of BUCG	**1,328**	1,592
	1,975,440	729,296

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to other major customers of the Group.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments		**709,170**	315,266
Deductible value-added tax		**329,659**	230,796
Deposits and other receivables		**233,205**	538,599
		1,272,034	1,084,661
Impairment		**(24,150)**	(18,047)
		1,247,884	1,066,614
Portion classified as non-current assets	*(i)*	**(237,172)**	(354,051)
Current portion		**1,010,712**	712,563

Note:

(i) The non-current portion of deposits and other receivables mainly represents deductible value-added tax, amounts due from a joint venture and reimbursed expenses on behalf of the customers at 31 December 2019 and 2018.

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

	Note	2019 RMB'000	2018 RMB'000
At beginning of the year		**18,047**	16,616
Effect of adoption of IFRS 9		**–**	(28)
At beginning of the year (restated)		**18,047**	16,588
Impairment losses recognised	*7*	**8,107**	5,036
Impairment losses reversed	*7*	**(2,004)**	(3,577)
At end of the year		**24,150**	18,047

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

As at 31 December 2019 and 2018, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 and 2018 was as follows:

	31 December 2019	31 December 2018
Expected credit loss rate	10.36%	3.35%
Gross carrying amount (RMB'000)	233,205	538,289
Expected credit losses (RMB'000)	24,150	18,047

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Associates of BUCG	63,888	–
Fellow subsidiaries	63,799	12,982
Associates	1,741	2,449
A joint venture	68	100,867
Beneficial Shareholders and their affiliates	–	300
	129,496	116,598

As at 31 December 2019, the other receivables amounting to RMB29,924,000 (31 December 2018: RMB204,486,000) were pledged to secure certain of the Group's bank loans, amounting to RMB4,225,173,000 (31 December 2018: RMB3,894,225,000) (note 28).

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

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Cash and bank balances	**3,906,614**	3,913,590
Time deposits	**1,200**	200
	3,907,814	3,913,790
Less: Pledged bank balances for bidding guarantees and performance guarantees	**(22,879)**	(21,214)
Cash and bank balances in the consolidated statement of financial position	**3,884,935**	3,892,576
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(1,200)**	(200)
Cash and cash equivalents in the consolidated statement of cash flows	**3,883,735**	3,892,376
Cash and bank balances and time deposits denominated in:		
– RMB	**3,653,197**	3,663,252
– Other currencies	**254,617**	250,538
	3,907,814	3,913,790

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.

26. TRADE AND BILLS PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	3,912,654	2,837,268
Bills payable	76,318	11,888
	3,988,972	2,849,156

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 6 months	1,034,131	1,311,692
6 months to 1 year	1,464,399	617,421
1 to 2 years	888,624	310,005
2 to 3 years	216,594	256,971
Over 3 years	385,224	353,067
	3,988,972	2,849,156

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

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Associates of BUCG	136,656	77,544
Fellow subsidiaries	65,135	75,579
Beneficial Shareholders and their affiliates	58,407	180
An associate	13,852	2,607
BUCG	4,071	3,153
A joint venture	286	2,003
	278,407	161,066

27. OTHER PAYABLES AND ACCRUALS

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract liabilities	*(i)*	**4,526,406**	2,885,170
Accrued salaries, wages and benefits		**423,467**	401,449
Other taxes payable		**868,241**	677,950
Retention payables		**123,305**	81,847
Dividend payable to non-controlling shareholders		**387**	1,984
Interest payable		**–**	20,523
Deferred revenue		**19,474**	21,671
Other payables		**93,823**	94,429
		6,055,103	4,185,023
Portion classified as non-current liabilities	*(ii)*	**(320,746)**	(292,131)
Current portion		**5,734,357**	3,892,892

Notes:

(i) Contract liabilities include short-term advances received from customers and amounts due to contract customers. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers and amounts due to contract customers in relation to the provision of design, survey and consultancy services and construction services at the end of the year.

	31 December 2019 RMB'000	31 December 2018 RMB'000
Short-term advances received from customers:		
Design, survey and consultancy services	**592,611**	1,009,337
Construction services	**244,226**	104,743
	836,837	1,114,080
Amounts due to contract customers:		
Design, survey and consultancy services	**1,746,664**	1,488,441
Construction services	**1,942,905**	282,649
	3,689,569	1,771,090
Total contract liabilities	**4,526,406**	2,885,170

(ii) The non-current portion mainly represented output value added tax, the performance guaranteed amounts from sub-contractors and suppliers of the Group and government grants at 31 December 2019 and 2018.

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to a joint venture, the Beneficial Shareholders and their affiliates, BUCG and other related parties included in other payables and accruals are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
A joint venture	**1,587,822**	179
Beneficial Shareholders and their affiliates	**518,639**	376,592
BUCG	**52,433**	35,667
Associates of BUCG	**50,609**	893
Fellow subsidiaries	**16,466**	11,730
Non-controlling shareholders	**10,310**	3,404
Associates	**5,135**	35,941
	2,241,414	464,406

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
Non-current							
Long term bank loans:							
– Secured *(i)*	**4.42%-4.90%**	**2021-2042**	**3,852,477**	3,520,225	4.41%-4.90%	2020-2041	3,520,225
Long term other borrowings:							
– Unsecured	**3.98%-4.90%**	**2021-2026**	**578,000**	578,000	3.98%-4.90%	2020-2026	578,000
Lease liabilities:							
– Secured (note13(c))	**4.75%-4.90%**	**2021-2032**	**148,392**	126,721			–
			4,578,869	4,224,946			4,098,225
Current							
Current portion of long term bank loans:							
– Secured *(i)*	**4.42%-4.90%**	**2020**	**372,696**	374,000	4.41%-4.90%	2019	374,000
Short term bank loans:							
– Unsecured	**4.35%-6.525%**	**2020**	**118,958**	4,000	5.655%-6.525%	2019	4,000
Current portion of lease liabilities:							
– Secured (note13(c))	**4.75%-4.90%**	**2020**	**84,700**	–			–
Current portion of long term other borrowings:							
– Unsecured			**–**	130,400	4.90%	2019	130,400
			576,354	508,400			508,400
			5,155,223	4,733,346			4,606,625
Denominated in:							
– RMB			**5,155,223**	4,733,346			4,606,625

(i) The bank loans of RMB4,225,173,000 (31 December 2018: RMB3,894,225,000) were secured by the right of future financial receivables, contract assets, other receivables and intangible assets for certain service concession arrangements.

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

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2019 and 2018 is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**491,654**	378,000
In the second year	**358,000**	358,000
In the third to fifth years, inclusive	**1,090,000**	1,074,000
Over five years	**2,404,477**	2,088,225
	4,344,131	3,898,225
Other borrowings repayable:		
Within one year	**–**	130,400
In the second year	**120,000**	–
In the third to fifth years, inclusive	**320,000**	220,000
Over five years	**138,000**	358,000
	578,000	708,400
Lease liabilities repayable:		
Within one year	**84,700**	–
In the second year	**60,535**	–
In the third to fifth years, inclusive	**67,250**	–
Over five years	**20,607**	–
	233,092	–
	5,155,223	4,606,625

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
A non-controlling shareholder	**378,000**	508,400

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

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

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2019 and 2018 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悦諮詢公司), using the projected unit credit actuarial valuation method.

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

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
At end of the year	**70,805**	69,526
Portion classified as current liabilities	**(3,750)**	(3,690)
Non-current portion	**67,055**	65,836

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

	2019 RMB'000	2018 RMB'000
At beginning of the year	**69,526**	62,180
Interest costs on benefit obligations	**2,370**	2,560
Current service costs	**1,410**	1,110
Benefits paid during the year	**(3,121)**	(3,514)
Re-measurement loss recognised in other comprehensive income	**620**	7,190
At end of the year	**70,805**	69,526

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(b) (continued)

The details of re-measurement loss recognised in other comprehensive income of the Group during the years ended 31 December 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Actuarial changes arising from changes in financial assumptions	**–**	6,550
Liability experience adjustments	**620**	640
Re-measurement loss recognised in other comprehensive income	**620**	7,190

(c) The net expenses recognised in profit or loss in respect of the provisions for supplementary retirement benefits of the Group are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest costs on benefit obligations	**2,370**	2,560
Current service costs	**1,410**	1,110
	3,780	3,670

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Discount rates	**3.50%**	3.50%
Mortality rate	**Average life expectancy of residents in Mainland China**	
Average annual benefit increase:		
– Cost of living adjustment for internal retirees	**4.00%**	4.00%
– Medical expenses	**8.00%**	8.00%
– Withdrawal rate for actives	**3.00%**	3.00%

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(d) (continued)

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Average life expectancy	45.3 years	46.1 years

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at 31 December 2019 and 2018 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 2019				
Discount rate	0.25	(2,350)	(0.25)	2,490
Future medical expense	0.25	820	(0.25)	(780)
As at 31 December 2018				
Discount rate	0.25	(2,310)	(0.25)	2,450
Future medical expense	0.25	830	(0.25)	(790)

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 2019 and 2018.

30. PROVISION

Provision of the Group this year contains warranty and provision for foreseeable losses on contracts. The Group provides regular maintenance ranging to its customers for construction products for general repairs of defects occurring during the warranty period under which faulty parts are repaired or replaced. The amount of the provision for the maintenance is estimated based on urban road technical maintenance norms and experience. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

As at 31 December 2019 and 2018, the provision for foreseeable losses on contracts was estimated using the percentage to be completed multiplied by foreseeable losses of the contract. The foreseeable losses are the differences between expenditure estimated fulfilling the contract and cash inflows when finishing the contract. The estimated expenditure and foreseeable cash inflows are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

30. PROVISION (CONTINUED)

	Year ended 31 December 2019		
	Warranty RMB'000	Provision for foreseeable losses on contracts RMB'000	Total RMB'000
At beginning of the year	**25,869**	**40,300**	**66,169**
Additional provision	**17,245**	**1,155**	**18,400**
Reversal of unutilised amounts	**–**	**(4,647)**	**(4,647)**
Amounts utilised during the year	**–**	**(23,241)**	**(23,241)**
At end of the year	**43,114**	**13,567**	**56,681**
Portion classified as current liabilities	**–**	**(4,812)**	**(4,812)**
Non-current portion	**43,114**	**8,755**	**51,869**

	Year ended 31 December 2018		
	Warranty RMB'000	Provision for foreseeable losses on contracts RMB'000	Total RMB'000
At beginning of the year	8,625	–	8,625
Effect of adoption of IFRS 9	–	41,384	41,384
At beginning of the year (restated)	8,625	41,384	50,009
Additional provision	17,244	14,185	31,429
Reversal of unutilised amounts	–	(960)	(960)
Amounts utilised during the year	–	(14,309)	(14,309)
At end of the year	25,869	40,300	66,169
Portion classified as current liabilities	–	(27,121)	(27,121)
Non-current portion	25,869	13,179	39,048

31. SHARE CAPITAL

Shares

	31 December 2019 RMB'000	31 December 2018 RMB'000
Registered, issued and fully paid:		
1,348,670,000 (2018: 1,348,670,000) ordinary shares	**1,348,670**	1,348,670

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019 and 2018 are presented in the consolidated statement of changes in equity.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB196,670,000 and RMB196,670,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Bank loans and other borrowings RMB'000	Lease liability RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2019	4,606,625	–	–	20,523
Effect of adoption of IFRS 16	–	126,721	–	–
At 1 January 2019 (restated)	4,606,625	126,721	–	20,523
Changes from financing cash flows	305,558	(91,884)	(155,164)	(233,157)
New leases	–	196,670	–	–
Cancellation of lease	–	(7,891)	–	–
Interest expense	–	9,476	–	222,582
Final 2018 dividend declared	–	–	145,719	–
Dividend declared to non-controlling shareholders	–	–	9,445	–
Reclassification	9,948	–	–	(9,948)
At 31 December 2019	4,922,131	233,092	–	–

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2018	3,307,432	–	16,798
Changes from financing cash flows	1,299,193	(143,862)	(186,206)
Interest expense	–	–	189,931
Final 2017 dividend declared	–	134,058	–
Dividend declared to non-controlling shareholders	–	9,804	–
At 31 December 2018	4,606,625	–	20,523

(c) Total cash outflow for leases

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

	2019 RMB'000
Within operating activities	**(100,969)**
Within financing activities	**(91,884)**
	(192,853)

34. 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 20, note 22, note 24, note 25 and note 28 to the financial statements.

35. COMMITMENTS

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contracted, but not provided for:		
Equity investments	**3,657,648**	3,683,390
Property, plant and equipment	**221,665**	188,308
	3,879,313	3,871,698

(b) Operating lease commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB'000
Within one year	81,639
In the second to fifth years, inclusive	90,500
After five years	15,328
	187,467

36. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	**352,235**	340,310
BUCG	**54,042**	39,590
Fellow subsidiaries	**24,013**	38,798
Associates of BUCG	**18,419**	1,478
Associates	**4,397**	3,179
A joint venture of BUCG	**421**	–
A joint venture	**108**	–
	453,635	423,355
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	**1,263,072**	1,152,598
A joint venture	**1,104,463**	–
BUCG	**263,529**	83,515
Fellow subsidiaries	**76,497**	–
	2,707,561	1,236,113
Construction contracting services provided by:		
Fellow subsidiaries	**165,157**	61,095
Associates of BUCG	**138,928**	48,425
Beneficial Shareholders and their affiliates	**64,995**	–
BUCG	**1,931**	3,111
	371,011	112,631
Design, survey and consultancy services provided by:		
Associates	**26,876**	14,863
Associates of BUCG	**1,988**	195
A joint venture	**1,374**	6,669
A fellow subsidiary	**689**	–
BUCG	**79**	–
	31,006	21,727

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2019 and 2018: (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	**12,539**	12,568
BUCG	**3,235**	2,863
	15,774	15,431
Rental income from:		
A fellow subsidiary	**2,364**	–
Borrowings provided by:		
An associate	**–**	30,000
Construction in progress provided by:		
Fellow subsidiaries	**17,690**	1,973
Finance costs paid or payable to:		
A non-controlling shareholder	**21,842**	24,934
An associate	**79**	23
	21,921	24,957
Borrowings provided to:		
A joint venture	**–**	88,000
Interest income received or receivable from:		
A joint venture	**1,598**	7,564
An associate	**–**	98
	1,598	7,662

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

The Group guaranteed certain of a joint venture's interest-bearing bank borrowings as at 31 December 2018 was RMB280 million. The guarantee for the joint venture was released at 9 December 2019.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2019 and 2018: (continued)

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively, "State-owned Enterprises" ("SOEs")). During the years ended 31 December 2019 and 2018, the Group entered into extensive transactions with other SOEs, such as bank deposits, the rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machinery. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

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	
	2019	2018
	RMB'000	RMB'000
Executive Directors		
Mr. Wang Hanjun (王漢軍) (Chief executive)	**1,000**	1,000
Mr. Li Guoqing (李國慶)	**1,000**	1,000
	2,000	2,000
Key management personnel		
Mr. Yang Xiuren (楊秀仁)	**750**	750
Ms. Cheng Yan (成硯)	**350**	150
Mr. Wan Xuehong (萬學紅)	**750**	750
Mr. Jin Huai (金淮)	**750**	750
Mr. Wang Liang (王良)	**750**	750
Mr. Yu Songwei (于松偉)	**750**	750
Mr. Xiao Mujun (肖木軍)	**750**	750
Mr. Liu Li (劉立)	**750**	750
Mr. Xuan Wenchang (玄文昌)	**750**	750
Mr. Ma Haizhi (馬海志)	**660**	660
Mr. Yin Zhiguo (尹志國)	**620**	620
	7,630	7,430

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In the opinion of the Directors, the related party transactions below shall also constitute continuing connected transactions under Chapter 14A of the Listing Rules:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Design, survey and consultancy services provided to:		
The Beneficial Shareholder and its affiliates	**120,100**	86,866
BUCG	**54,042**	39,590
Fellow subsidiaries	**24,013**	38,798
An associate of BUCG	**11,222**	–
A joint venture of BUCG	**421**	–
	209,798	165,254
Construction contracting services provided to:		
The Beneficial Shareholder and its affiliates	**369,454**	189,458
BUCG	**263,529**	83,515
Fellow subsidiaries	**76,497**	–
	709,480	272,973
Construction contracting services provided by:		
Fellow subsidiaries	**165,157**	61,095
The Beneficial Shareholder and its affiliates	**64,995**	–
BUCG	**1,931**	3,111
	232,083	64,206
Design, survey and consultancy services provided by:		
A fellow subsidiary	**689**	–
BUCG	**79**	–
	768	–
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	**12,539**	12,568
BUCG	**3,235**	2,863
	15,774	15,431

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 22, 23, 24, 26, 27 and 28 the financial statements.

(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	
	2019	2018
	RMB'000	RMB'000
Short term employee benefits	**9,265**	8,514
Pension scheme	**903**	839
	10,168	9,353

(e) Commitments with related parties

As at 31 December 2019, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

Pursuant to certain construction contracts signed by the Company and BUCG, certain Beneficial Shareholders and their affiliates and fellow subsidiaries and a joint venture, the Company was engaged to build certain subways and the backlog as at 31 December 2019 amounted to RMB5,270 million (31 December 2018: RMB2,479 million).

Pursuant to certain design service contracts signed by the Company and certain Beneficial Shareholders and their affiliates and BUCG, the Company was engaged to design certain subways and industrial and civil construction and municipal engineering, and the backlog as at 31 December 2019 amounted to RMB1,398 million (31 December 2018: RMB1,006 million).

Pursuant to certain construction contracts signed by the Company and fellow subsidiaries and associates of BUCG, the Company was engaged to purchase construction contracting services, and the backlog as at 31 December 2019 amounted to RMB1,240 million (31 December 2018: RMB107 million).

Pursuant to certain design service contracts signed by the Company and a joint venture and an associate, the Company was engaged to purchase design,survey and consultancy services, and the backlog as at 31 December 2019 amounted to RMB23 million (31 December 2018: RMB23 million).

37. 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 2019 RMB'000
Financial assets	
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	134,640
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	17,452
Financial assets at amortised cost:	
Trade and bills receivables	4,768,740
Financial receivables	3,191,027
Financial assets included in contract assets	2,275,374
Financial assets included in prepayments, other receivables and other assets	209,055
Pledged deposits	22,879
Cash and bank balances	3,884,935
	14,504,102
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	5,155,223
Trade and bills payables	3,988,972
Financial liabilities included in other payable and accruals	217,515
	9,361,710

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	31 December 2018 RMB'000
Financial assets	
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	8,650
Financial assets at amortised cost:	
Trade and bills receivables	3,254,521
Financial receivables	3,206,465
Financial assets included in contract assets	1,622,226
Financial assets included in prepayments, other receivables and other assets	520,242
Pledged deposits	21,214
Cash and bank balances	3,892,576
	12,525,894
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	4,606,625
Trade and bills payables	2,849,156
Financial liabilities included in other payable and accruals	198,783
	7,654,564

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount 31 December		Fair value 31 December	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**134,640**	–	**134,640**	–
Equity investments designated at fair value through other comprehensive income	**17,452**	8,650	**17,452**	8,650
Financial receivables	**3,191,027**	3,206,465	**3,138,462**	3,231,317
Financial assets included in contract assets	**2,275,374**	1,622,226	**2,280,313**	1,623,105
Financial assets included in prepayments, other receivables and other assets, non-current portion	**22,589**	145,915	**21,660**	143,805
	5,641,082	4,983,256	**5,592,527**	5,006,877
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**4,578,869**	4,098,225	**4,409,298**	3,934,504
Financial liabilities included in other payables and accruals, non-current portion	**7,493**	3,853	**6,755**	3,945
	4,586,362	4,102,078	**4,416,053**	3,938,449

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, other receivables and other assets, the current portion of financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments. The guarantees provided by the group to banks in connection with facilities granted to a joint venture is released on 9 December 2019.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with senior management twice a year for interim and annual financial reporting.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, the financial receivables, contract assets and the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The fair value of unlisted equity investments designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on the industry, size, leverage and strategy, and to calculates an appropriate price multiple, such as enterprise value to the earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

38. 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 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:				
Unlisted equity investments	–	–	134,640	134,640
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	17,452	17,452
	–	–	152,092	152,092

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income:				
Unlisted equity investments	–	–	8,650	8,650

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

Fair value hierarchy: (continued)

Assets for which fair values are disclosed:

31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial receivables	–	3,138,462	–	3,138,462
Financial assets included in contract assets	–	2,280,313	–	2,280,313
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	21,660	–	21,660
	–	5,440,435	–	5,440,435

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial receivables	–	3,231,317	–	3,231,317
Financial assets included in contract assets	–	1,623,105	–	1,623,105
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	143,805	–	143,805
	–	4,998,227	–	4,998,227

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

Fair value hierarchy: (continued)

Liabilities for which fair values are disclosed:

31 December 2019

	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	–	4,409,298	–	4,409,298
Financial liabilities included in other payables and accruals, non-current portion	–	6,755	–	6,755
	–	4,416,053	–	4,416,053

31 December 2018

	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	–	3,934,504	–	3,934,504
Financial liabilities included in other payables and accruals, non-current portion	–	3,945	–	3,945
	–	3,938,449	–	3,938,449

39. 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 analyses and formulate measures to manage the Group's exposure to these risks. In addition, the board of Directors of the Company holds meetings regularly to analyses and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to profit or loss as incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis point	Increase/(decrease) in profit before tax	
		2019	2018
		RMB'000	RMB'000
Market interest rates	1%	**(39,268)**	(30,836)
Market interest rates	(1%)	**39,268**	30,836

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, it is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and bank balances and pledged deposits at the end of the reporting period are disclosed in note 25 to the financial statements.

The following 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 2019 and 2018. The sensitivity analysis is on bank deposits in United States dollars and Hong Kong dollars.

Effects on profit before tax

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax	
		2019	2018
		RMB'000	RMB'000
If RMB weakens against the United States dollar	5%	**15,055**	13,196
If RMB strengthens against the United States dollar	(5%)	**(15,055)**	(13,196)
If RMB weakens against the Hong Kong dollar	5%	**2**	2
If RMB strengthens against the Hong Kong dollar	(5%)	**(2)**	(2)

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	4,584,688	4,584,688
Trade and bills receivables*	–	–	–	5,320,751	5,320,751
Financial assets included in prepayments, other receivables and other assets					
– Normal**	204,087	21,905	7,213	–	233,205
Financial receivables	3,194,219	–	–	–	3,194,219
Pledged deposits					
– Not yet past due	22,879	–	–	–	22,879
Cash and bank balances					
– Not yet past due	3,884,935	–	–	–	3,884,935
	7,306,120	21,905	7,213	9,905,439	17,240,677

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	3,801,103	3,801,103
Trade and bills receivables*	–	–	–	3,680,479	3,680,479
Financial assets included in prepayments, other receivables and other assets					
– Normal**	510,098	21,048	7,143	–	538,289
Financial receivables	3,209,675	–	–	–	3,209,675
Pledged deposits					
– Not yet past due	21,214	–	–	–	21,214
Cash and bank balances					
– Not yet past due	3,892,576	–	–	–	3,892,576
Guarantees given to banks in connection with facilities granted to a joint venture					
– Not yet past due	280,000	–	–	–	280,000
	7,913,563	21,048	7,143	7,481,582	15,423,336

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2019, the financial assets classified to stage 2 for lifetime ECLs are other receivables with a gross carrying amount of approximately RMB7,213,000 (2018: RMB7,143,000). As they are fully impaired, the net carrying amount is nil.

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Concentrations of credit risk are managed by customer and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of Group's trade receivables are widely dispersed in different regions.

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2019			
Interest-bearing bank and other borrowings	**576,354**	**4,578,869**	**5,155,223**
Interest payments on bank and other borrowings	**232,977**	**1,009,566**	**1,242,543**
Trade and bills payables	**3,988,972**	**–**	**3,988,972**
Financial liabilities included in other payables and accruals	**210,022**	**7,563**	**217,585**
	5,008,325	**5,595,998**	**10,604,323**
31 December 2018			
Interest-bearing bank and other borrowings	508,400	4,098,225	4,606,625
Interest payments on bank and other borrowings	172,081	831,543	1,003,624
Trade and bills payables	2,849,156	–	2,849,156
Financial liabilities included in other payables and accruals	194,930	3,853	198,783
	3,724,567	4,933,621	8,658,188

39. 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 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of reporting periods are as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing bank and other borrowings	**5,155,223**	4,733,346	4,606,625
Trade and bills payables	**3,988,972**	2,849,156	2,849,156
Financial liabilities included in other payables and accruals	**217,515**	198,783	198,783
Cash and bank balances	**(3,884,935)**	(3,892,576)	(3,892,576)
Pledged deposits	**(22,879)**	(21,214)	(21,214)
Net debt	**5,453,896**	3,867,495	3,740,774
Total equity	**5,096,885**	4,583,105	4,583,105
Capital and net debt	**10,550,781**	8,450,600	8,323,879
Gearing ratio	**52%**	46%	45%

40. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the Corona Virus Disease 2019 (hereinafter referred to as the "COVID-19") broke out in January 2020, the prevention and control of the COVID-19 is continuing nationwide. The Group actively responds to and strictly implements the requirements of the government regarding the prevention and control of the COVID-19, and actively cooperates with the government to do a good job in the prevention and control of the epidemic.

The Group expects that the COVID-19 situation and prevention and control measures will have a temporary impact on the Group's production and operation, and the degree of impact depends on the progress and duration of the COVID-19 situation prevention and control and the implementation of local prevention and control policies.

The Group will closely monitor the development of the COVID-19 and assess and actively respond to its impact on the financial status and operating results of the Group. As of the date of this report, no significant adverse impact has been found.

41. 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 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	386,562	216,488
Prepaid land lease payments	–	221,170
Right-of-use assets	377,130	–
Intangible assets	3,474	4,322
Investments in subsidiaries	1,818,595	1,768,095
Investments in joint ventures	1,069,192	120,730
Investments in associates	59,322	85,114
Equity investments designated at fair value through other comprehensive income	5,552	3,650
Deferred tax assets	97,316	85,225
Contract assets	69,689	60,007
Prepayments, other receivables and other assets	16,140	114,940
Total non-current assets	3,902,972	2,679,741

41. 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:

	31 December 2019 RMB'000	31 December 2018 RMB'000
CURRENT ASSETS		
Prepaid land lease payments	–	5,152
Inventories	42,427	40,496
Trade and bills receivables	3,323,268	2,217,837
Prepayments, other receivables and other assets	833,062	509,465
Contract assets	1,720,165	1,671,610
Pledged deposits	7,407	7,406
Cash and bank balances	2,403,744	2,480,265
Total current assets	8,330,073	6,932,231
CURRENT LIABILITIES		
Trade payables	2,604,710	1,996,490
Other payables and accruals	4,971,806	3,559,523
Interest-bearing bank and other borrowings	55,220	–
Provisions for supplementary retirement benefits	3,020	3,000
Tax payable	2,846	4,357
Provision	3,876	24,679
Total current liabilities	7,641,478	5,588,049
NET CURRENT ASSETS	688,595	1,344,182
TOTAL ASSETS LESS CURRENT LIABILITIES	4,591,567	4,023,923

41. 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:

	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**3,246**	–
Interest-bearing bank and other borrowings	**80,349**	–
Provisions for supplementary retirement benefits	**51,474**	50,454
Other payables and accruals	**18,989**	20,300
Provision	**7,410**	13,000
Total non-current liabilities	**161,468**	83,754
Net assets	**4,430,099**	3,940,169
EQUITY		
Share capital	**1,348,670**	1,348,670
Reserves *(note)*	**3,081,429**	2,591,499
Total equity	**4,430,099**	3,940,169

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

Note:

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

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 31 December 2017	734,691	195,792	–	1,270,791	2,201,274
Effect of adoption of IFRS 9, net of tax	(1,252)	–	–	(16,276)	(17,528)
As at 1 January 2018 (restated)	733,439	195,792	–	1,254,515	2,183,746
Profit for the year	–	–	–	547,651	547,651
Other comprehensive loss	(5,840)	–	–	–	(5,840)
Total comprehensive income/(loss) for the year	(5,840)	–	–	547,651	541,811
Final 2017 dividend declared	–	–	–	(134,058)	(134,058)
Appropriation to statutory surplus reserve	–	53,587	–	(53,587)	–
Transfer to special reserve	–	–	30,508	(30,508)	–
Utilisation of special reserve	–	–	(30,508)	30,508	–
As at 31 December 2018	727,599	249,379	–	1,614,521	2,591,499
Profit for the year	**–**	**–**	**–**	**638,811**	**638,811**
Other comprehensive loss	**(258)**	**–**	**–**	**–**	**(258)**
Total comprehensive income/(loss) for the year	**(258)**	**–**	**–**	**638,811**	**638,553**
Final 2018 dividend declared	**–**	**–**	**–**	**(148,623)**	**(148,623)**
Appropriation to statutory surplus reserve	**–**	**65,612**	**–**	**(65,612)**	**–**
Transfer to special reserve	**–**	**–**	**44,205**	**(44,205)**	**–**
Utilisation of special reserve	**–**	**–**	**(44,205)**	**44,205**	**–**
At 31 December 2019	**727,341**	**314,991**	**–**	**2,039,097**	**3,081,429**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 25 March 2020.