北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

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

Stock Code：**1599**

ANNUAL REPORT 2015

CONTENTS

DEFINITIONS

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

"Anhui Jingjian"	Anhui Jingjian Capital Construction Investment Co., Ltd.
"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 enacted and adopted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as the same 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

DEFINITIONS (CONTINUED)

"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 2015
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Supervisor(s)"	supervisor(s) of the Company
"Tax Notice"	the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residentsunder Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)
"%"	per cent.

CORPORATE INFORMATION

REGISTERED NAME:

CHINESE:
北京城建設計發展集團股份有限公司

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

LISTING PLACE OF H SHARES:
The Stock Exchange of Hong Kong Limited

TYPE OF STOCK:
H股

股份名稱：
UCD

STOCK CODE:
1599

H SHARE REGISTRAR:
Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:
5 Fuchengmen North Street,
Xicheng District,
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:
18/F, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

LEGAL REPRESENTATIVE:
Ms. Wang Liping

SECRETARY OF THE BOARD:
Mr. Xuan Wenchang

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

WEBSITE:
www.bjucd.com

AUDITORS:
Ernst & Young

LEGAL ADVISORS:

AS TO HONG KONG LAWS:
Linklaters

AS TO PRC LAWS:
Haiwen & Partners

FINANCIAL SUMMARY

For the year ended 31 December 2015, the Group achieved revenue of RMB4,009 million, while the net profit for the Reporting Period amounted to RMB398 million.

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

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

	For the year ended 31 December				
	2015		2014		
	RMB'000	**% of operating revenue**	RMB'000	% of operating revenue	% of change
Design, survey and consultancy	**1,964,283**	**49.00**	1,883,426	56.28	4.3
Construction contracting	**2,044,230**	**51.00**	1,462,852	43.72	39.7
Total	**4,008,513**	**100.00**	3,346,278	100.00	19.8

For the year ended 31 December 2015, the Group's total revenue was RMB4,009 million, representing an increase of RMB663 million, or 19.8% compared with the corresponding period of last year, which was mainly attributable to the smooth progress of PPP Outer Ring North Road construction in Anqing City in the construction contracting segment.

The financial information for the years 2011, 2012, 2013, 2014 and 2015 prepared by the Group in accordance with the International Financial Reporting Standards was summarized as follows:

	As at 31 December/For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**7,739,604**	6,711,561	5,225,272	4,783,412	4,789,935
Total liabilities	**4,725,866**	4,088,871	3,666,705	4,102,148	4,248,675
Non-controlling interests	**88,314**	22,735	9,632	614	32,345
Interests of the owners (excluding non-controlling interests)	**2,925,424**	2,599,955	1,548,935	680,650	508,915
Revenue	**4,008,513**	3,346,278	2,923,485	2,693,540	3,409,655
Gross profit	**833,976**	753,916	586,702	477,841	446,196
Profit before tax	**461,923**	413,758	310,318	231,048	202,681
Profit attributable to owners of the parent	**397,629**	349,817	235,563	194,423	157,643

CHAIRMAN'S STATEMENT

Dear shareholders,

I am delighted to present the 2015 annual results on behalf of the Board of the Company.

As at the end of 2015, the Group has been listed for over one year. During the Year, the Group continued to enhance its management and expanded its market, thereby achieving remarkable results. For the year ended 31 December 2015, the revenue of the Group amounted to RMB4,009 million, representing an increase of RMB663 million or 19.8% compared with that of RMB3,346 million for the corresponding period of last year. Our net profit amounted to RMB398 million, representing an increase of RMB47 million or 13.4% compared with that of RMB351 million for the corresponding period of last year. Various key operating indexes of the Company continued to achieve new record highs; the rail transit industry chain of the Company is taking shape, with rapid growth in the Company's overall comprehensive strengths.

Year 2015 was the start of the new normal of the Chinese economy, and the Chinese economic development is still in a stage of profound adjustments through transformation and upgrading. Strengthened investments in urban infrastructure by the Chinese government and the promulgation of policies that encourage participation by private funds in such investments have provided new stimuli in the development of the urban rail transit industry. The Company's innovation and development have been provided with new opportunities arising from the major development strategies announced by the Chinese government such as deepened reform on state-owned enterprises, construction of the One Belt, One Road, the Jing-Jin-Ji collaborative development and construction of the Yangtze River Economic Zone etc..

In 2016, the Group, by continued adherence to the customer-oriented and market directed operating principles, is committed to becoming a leader in the urban rail transit industry. The Group will be guided by its strategic plans, and by optimizing and expanding design and consultancy, strengthening construction contracting, proactively developing investment-based rail transit and other infrastructure construction PPP business as well as by promoting industrialization development through technological innovation and by continuously improving the Company's operation and management levels, the Company will achieve steadily and stably increasing results to repay the society and return the shareholders.

Lastly, I hereby take this opportunity to express my sincere thanks to all shareholders, customers and business partners who, as in the past, continue to support and trust the Group. I also express my gratitude for the continuous efforts and solid contributions by our Directors, operating management and all staff to the Group.

Wang Liping
Chairman

Beijing, 24 March 2016

GENERAL MANAGER'S STATEMENT

Dear shareholders,

In 2015, founded on the Company's listing as the new starting point, and against the backdrop of an increasingly enlarged investments by the State in urban rail transit, each business segment of the Company developed steadily with continuously expanded business areas, achieving good results.

Rapid growth in revenue under adverse condition. In 2015, revenue of the Group amounted to RMB4,009 million, representing a year-on-year increase of RMB663 million or 19.8%, among which, revenue from the design, survey and consultancy business was RMB1,964 million, and revenue from the construction contracting business was RMB2,045 million.

Continuously increasing operating efficiency. In 2015, the Group realized a net profit of RMB398 million through refined management, with a return on net assets of 14.1%.

Significant enhancement of comprehensive strength. In 2015, total assets of the Group reached RMB7.7 billion, while its total equity reached RMB3.0 billion. The capital strength was further enhanced.

In 2015, the Company successfully won the first non-toll municipal road PPP project in China – Outer Ring North Road Engineering Project in Anqing City. The urban rail transit design and consultancy segment grew strongly with more than ten additional general contracting projects, which is highest record ever; while strengthening the traditional businesses in civil construction, municipal construction and survey, the Company at the same time explored into new areas such as smart city, sponge city and urban utility tunnel etc.. The construction contracting business of the Company had substantially increased its profit-making capability and accomplished its annual sales target; using product-orientation to speed up technology industrialization, the Company researched and developed a number of new technological products which have been put into application. Each business segment is fully committed to a new stage of synergies and joint corporate development.

2016 is the starting year of the "13th Five Year Plan" and the year of accelerated synergy development of the Company's full industry chain and for the building up of the Company into a "billion-dollar enterprise". By adhering to expanding design and consultancy, strengthening construction general contracting, and through proactively cultivating and expanding the development path for new businesses, and led and driven by the design business and investments as the twin engines, the Company will focus on building up five key areas, namely investment and financing, design and consultancy, construction general contracting, technology industrialization and operational management; and through professionalized construction in order to realize synergy development, the Company will substantially raise its full industry chain operation capability and promote its corporate development scale and quality and volume further upgrading!

Wang Hanjun
General Manager
Beijing, 24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2015, the Group steadily promoted its traditional business development and progressively expanded its new business, thereby further consolidating and raising its market position and capital strength, leading to a significant growth trend in operating results and a remarkable enhancement in its comprehensive strengths.

For the year ended 31 December 2015, the Group's revenue amounted to RMB4,009 million, representing an increase of RMB663 million or 19.8% compared to the revenue of RMB3,346 million of the corresponding period of last year. The Group's net profit amounted to RMB398 million, representing an increase of RMB47 million or 13.4% compared to the net profit of RMB351million of the corresponding period of last year.

FINANCIAL REVIEW

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December	
	2015 (RMB'000)	2014 (RMB'000)
Revenue	**4,008,513**	3,346,278
Cost of sales	**(3,174,537)**	(2,592,362)
Gross profit	**833,976**	753,916
Other income and gains	**78,993**	27,058
Selling and distribution expenses	**(57,250)**	(60,616)
Administrative expenses	**(354,558)**	(269,867)
Other expenses	**(35,575)**	(36,249)
Finance costs	**(4,983)**	(2,332)
Share of profits/(losses) of joint ventures	**(522)**	369
Share of profits of associates	**1,842**	1,479
Profit before tax	**461,923**	413,758
Income tax expense	**(64,215)**	(62,838)
Profit for the year	**397,708**	350,920

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 2015, the Group achieved a revenue of RMB4,009 million, representing an increase of RMB663 million or 19.8% compared with that of RMB3,346 million for the corresponding period of last year. Due to the Company's active response to the Chinese "new normal" economy and its successful implementation of Outer Ring North Road PPP project in Anqing City, Anhui Province in 2015 on the basis of active expansion and consolidation of the traditional design, survey and consultancy business, the revenue from the relevant businesses increased at a steady pace.

Business segments	For the year ended 31 December **2015** **(RMB'000)**	 2014 (RMB'000)
Design, survey and consultancy	**1,964,283**	1,883,426
Construction contracting	**2,044,230**	1,462,852
Total	**4,008,513**	3,346,278

DESIGN, SURVEY AND CONSULTANCY 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 historically been the core business of the Group. In 2015, the Group, by fully leveraging on its technical strengths in the industry, earnestly working on the performance of projects on hand and actively expanding its businesses in third and forth tier cities, achieved a revenue of RMB1,964 million, representing an increase of 4.3% compared with the revenue of RMB1,883 million for the corresponding period of last year, under the entry of China's macro-economy into the "new normal" in 2015.

The Group's revenue from the urban rail transit construction design business in the design, survey and consultancy segment amounted to RMB1,561 million for the Year, representing an increase of 4.0% compared with the revenue of RMB1,501 million for the corresponding period of last year. Driven by the Group's integrated advantages in urban rail transit, the revenue from the industrial and civil construction and municipal engineering business amounted to RMB403 million for the Year, representing an increase of 5.5% compared with the revenue of RMB382 million for the corresponding period of last year.

CONSTRUCTION CONTRACTING SEGMENT

The construction contracting segment of the Group shares synergies with the design, survey and consultancy segment. In particular, it closely interacts with the design, survey and consultancy segment for urban rail transit construction projects as they generally share almost the same customer base. Currently, the Group's construction contracting segment focuses on the services for urban rail transit construction projects. The scope of the construction contracting segment mainly covers various specific areas of land construction and equipment installation for urban rail transit projects. The construction contracting projects undertaken by the Group covered major cities of China, including Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou and Dalian.

For the year ended 31 December 2015, the Group's revenue from the construction contracting segment was RMB2,045 million, representing an increase of RMB582 million or 39.8% compared with that of RMB1,463 million for the corresponding period of last year. Such increase was mainly attributable to the adherence to the development strategies of expanding the urban rail transit construction contracting business and through adopting the principle of controllable risks, by exercising caution when undertaking traditional projects with low economic benefits and high risks and by steady and careful implementation. In the meantime, the Group is committed to promoting synergy operation for design and general contracting projects and projects with relatively high economic benefits including EPC and PPP.

COST OF SALES

For the year ended 31 December 2015 the cost of sales incurred by the Group was RMB3,175 million compared with that of RMB2,592 million for the corresponding period of last year, representing an increase of RMB583 million or 22.5%. This was mainly attributable to the corresponding increase in costs as a result of an increase in revenue scale.

For the year ended 31 December 2015, cost of sales of the Group's design, survey and consultancy segment increased to RMB1,336 million for the Year from RMB1,268 million for the corresponding period of last year, representing an increase of 5.4%. Among that, the cost of sales of the urban rail transit construction business of the Group's design, survey and consultancy segment increased to RMB1,018 million for the Year from RMB974 million for the corresponding period of last year, representing an increase of 4.5%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment increased to RMB318 million for the Year from RMB294 million for the corresponding period of last year, representing an increase of 8.2%.

For the year ended 31 December 2015, the cost of sales of the Group's construction contracting segment increased to RMB1,839 million for the Year from RMB1,324 million for the corresponding period of last year, representing an increase of 38.9%, which was roughly equivalent to the increase in revenue of 39.8%.

GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2015, the gross profit of the Group was RMB834 million, representing an increase of RMB80 million or 10.6% compared with that of RMB754 million for the corresponding period of last year, while the consolidated gross margin decreased from 22.5% to 20.8%. The decrease in gross profit and gross margin was mainly due to the fact that the percentage of total operating revenue attributable to the construction contracting segment increased from 43.72% for the corresponding period of last year to 51.00% for the Year. The gross profit of design, survey and consultancy segment increased to RMB628 million for the Year compared with that of RMB615 million for the corresponding period of last year, representing an increase of RMB13 million or 2.1%. The gross margin decreased from 32.7% for the corresponding period of last year to 32.0% for the Year, which was mainly due to the business development of the Company and the increase in the number of projects in other cities, which have a relatively higher cost than those in Beijing. The gross profit of the construction contracting segment increased from RMB139 million for the corresponding period of last year to RMB206 million for the Year, representing an increase of RMB67 million or 48.2%. The gross margin increased from 9.5% for the corresponding period of last year to 10.1% for the Year.

OTHER INCOME AND GAINS

For the year ended 31 December 2015, other income and gains of the Group were RMB78.99 million, representing an increase of RMB51.93 million compared with that of RMB27.06 million for the corresponding period of last year, primarily due to the increase in interest income and investment gains arising from the increase in deposits and the purchase of related financial products and foreign exchange gains. The financial gains, interest income and foreign exchange gains for 2015 was RMB74.97 million.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2015, selling and distribution expenses of the Group were RMB57.25 million, representing a decrease of RMB3.37 million or 5.6% compared with that of RMB60.62 million for the corresponding period of last year. The decrease in selling and distribution expenses was mainly attributable to the corresponding decrease in bidding costs and relevant costs arising from bidding as a result of the nationwide coverage and effective operation of our marketing network, and more meticulous and precise calculations and strengthened cost control.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2015, administrative expenses of the Group were RMB354.56 million, representing an increase of RMB84.69 million or 31.4% compared with that of RMB269.87 million for the corresponding period of last year. The increase in the administrative expenses was mainly due to the corresponding increase in administrative and management costs and relevant taxes resulting from the expansion of the business scale, together with an increase in R&D expenditures due to more effort and resources put in R&D by the Group.

OTHER EXPENSES

For the year ended 31 December 2015, other expenses of the Group were RMB35.58 million, representing a decrease of RMB0.67 million or 1.8% compared with that of RMB36.25 million for the corresponding period of last year. The decrease in other expense was mainly attributable to a decrease in foreign exchange loss resulting from increased foreign exchange rate for the Year.

FINANCE COSTS

For the year ended 31 December 2015, finance costs of the Group were RMB4.98 million, representing an increase of 113.7% compared with that of RMB2.33 million for the corresponding period of last year, which was due to the increase in interest expenses resulting from new project loans of the Group during the Year.

INCOME TAX EXPENSE

For the year ended 31 December 2015, the income tax expense of the Group was RMB64.22 million, representing an increase of RMB1.38 million or 2.2% compared with that of RMB62.84 million for the corresponding period of last year.

PROFIT FOR THE YEAR

For the year ended 31 December 2015, the profit for the year of the Group was RMB398 million, representing an increase of RMB47 million or 13.4% compared with that of RMB351 million for the corresponding period of last year.

CASH FLOWS

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

	For the year ended 31 December	
	2015 (RMB'000)	2014 (RMB'000)
Net cash inflows/(outflows) from operating activities	**(865,207)**	463,969
Net cash inflows/(outflows) from investing activities	**1,132,245**	(1,130,079)
Net cash inflows from financing activities	**377,115**	653,981
Net increase/(decrease) in cash and cash equivalents	**644,153**	(12,129)

In 2015, the net cash outflows from operating activities amounted to RMB865 million for the Year as a result of the Company's business development and the enhanced collection of the receivables; the net cash flow from operating activities is mainly due to the advance of approximately RMB450 million for the property owners provided by Anhui Jingjian, a subsidiary of the Company, and the construction payment of approximately RMB329 million for the Outer Ring North Road PPP project in Anqing with its entering into the main construction stage. The net cash flow from the investing activities is mainly the net inflow of the Group's financial products of RMB818 million, while the time deposits with a maturity of over 3 months decreased by approximately RMB390 million. The net cash inflow from financing activities for the Year of approximately RMB377 million was mainly due to (i) a long-term bank borrowing of approximately RMB410 million obtained by Anhui Jingjian for its business needs in the Year, (ii) the capital contribution of approximately RMB68.5 million by the non-controlling shareholders of the Group's newly established subsidiary, and (iii) the dividends payment of approximately RMB94 million to the shareholders by the Company in the year.

PLEDGE OF ASSETS

For the year ended 31 December 2015, the Group's financial receivables were pledged to secure a bank loan granted to the Group. As at 31 December 2015, the net pledged financial receivables was RMB586 million (as at 31 December 2014: no pledge of assets).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group's letters of guarantees for project performance undertaken by certain associates and the not-yet-due-balances of such guarantee letters was RMB11 million. In addition, the Group did not have other material contingent liabilities.

CAPITAL COMMITMENTS

The capital commitments of the Group as at 31 December 2015 and 31 December 2014 were as follows:

	As at 31 December 2015 (RMB'000)	As at 31 December 2014 (RMB'000)
Contracted, but not provided:		
Property, plant and equipment	**4,550**	70,106

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The equity capital of the Company comprises Domestic Shares and H Shares. Indebtedness capital mainly consists of bank loans. In addition, ordinary business operation also provides the Group with source of funding. As at 31 December 2015, the net current asset value of the Group was RMB1,992 million, among which cash and cash equivalents accounted for RMB2,228 million. The liquidity of the Group was sound and healthy and it had adequate cash and available banking facilities to satisfy its operating needs.

As at 31 December 2015, the Group's interest-bearing borrowings were RMB410 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as at the date of this report divided by the total equity as at the date of this report) was 13.6%.

INDEBTEDNESS

The table below shows the total borrowings of the Group as at 31 December 2015. The Group generally settles the borrowings on time.

	As at 31 December 2015 RMB'000
Bank borrowings	
Pledged	**410,000**
Long – term borrowings	**410,000**

The Group's borrowings are all denominated in RMB. The bank borrowings are at a floating interest rate, being the benchmark interest rate to be charged for the same type of loans denominated in RMB for the same term as announced by the People's Bank of China. As at 31 December 2015, the interest rate for the borrowings was 4.90%.

The table below shows the maturity of the Group's debts as at 31 December 2015.

	As at 31 December 2015 RMB'000
Between one to two years	**80,000**
Between two to three years	**160,000**
Between three to four years	**144,000**
Between four to five years	**26,000**
Total	**410,000**

EXCHANGE RATE RISK

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

USE OF PROCEEDS

As at 31 December 2015, the Company utilized an aggregate of RMB606.87 million of the proceeds, among which RMB320.06 million was used to supplement the invested funds for design, survey and consultancy projects and construction contracting projects in relation to urban rail transit business, RMB182.79 million was used to enhance, through self-development, cooperation or acquisition, the design and technology research capabilities in relation to the urban rail transit business and facilitate commercialisation of the technologies, RMB30.65 million was used to improve the construction capabilities in relation to urban rail transit business, RMB2.80 million was used to build the information systems, RMB70.57 million was used to supplement the working capital. The remaining balance is placed at the banks as deposits.

EMPLOYEES

As at 31 December 2015, the Group had approximately 3,937 employees, representing an increase of 370 employees or 10.37% as compared with that of 3,567 employees as at the end of last year.

For the year ended 31 December 2015, the total employee costs of the Group were RMB1,020 million, representing an increase of RMB54 million or 5.59% compared with that of RMB966 million for the corresponding period of last year.

EVENTS AFTER THE BALANCE SHEET DATE

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

PROFIT DISTRIBUTIONS AND DIVIDENDS

On 24 March 2016, the Board proposed to pay a final dividend for the year 2015 of approximately RMB106.52 million (representing approximately 30% of the distributable profits for 2015) on the basis of the total issued shares of the Company of 1,272,670,000 shares as at the date of this report, representing RMB0.0837 per share (including tax).

BUSINESS PROSPECTS

Although China's economic development entered the state of "new normal" and the urban rail transit in China has achieved notable development in recent years, China is still lagging far behind the developed countries in terms of rail transit density. China clearly identified the basic policies of "promoting low-carbon development in transportation, implementing prioritized public transport, reinforcing rail transit construction", which enhanced the room for further improvement in rail transit industry.

The "Recommendations regarding the Formulation of the 13th Five-Year Plan for National Economy and Social Development from the CPC Central Committee" (《中共中央關於制定國民經濟和社會發展第十三個五年規劃的建議》) issued by the Central Committee of Communist Party of China in November 2015 stated that: "Fully develop the side effects of the city clusters by optimizing the development of the three largest city clusters namely Beijing-Tianjin-Hebei area, Yangtze River Delta and Pearl River Delta and constructing city clusters in Northeastern region, central China, the midstream of Yangtze River, Chengdu-Chongqing and Guanzhong Plain. Develop a group of central cities with strengthened regional services. Support the construction of green cities, intelligent cities, forest cities and the interconnection and communication between intercity infrastructures". In February 2016, "The Outline of the Plan for Coordinated Development for the Beijing-Tianjin-Hebei Region" (《京津冀協同發展規劃綱要》) was published for implementation which is the first regional "13th Five-Year" Plan cross provinces of China and which clearly proposed the basic formation of an integrated cross region traffic networks by 2020. Apart from the development of rail transit in tradition urban rail transit areas, the steady process of urbanization in China as well as the coordination in planning and construction of metropolis cluster will provide abundant business development opportunities for the Group.

With the favourable development opportunities, the Company will continue to deepen and promote its client-oriented operating principles. The Company will continually raise its overall strength and the returns to its shareholders by making use of the corporate listing platform, employing its own solid technical strengths; and led by its design business and driven by investment, the Company will further strengthen its design and consultancy business and general contracting business and expand into new business with a view to becoming a leading comprehensive urban construction services provider in the industry with international influence.

THE COMPANY'S MANAGEMENT MEASURES IN 2016

In 2016, with the accelerating urbanization in China, the full launching of integration in Beijing-Tianjin-Hebei area and further development of regional rail transits, abundant opportunities for business developments are available to the Group. At the same time, as the local governments further explore into their reforms on investment/financing mechanism, the use of private capital to develop PPP offers them a better alternative, which will have a profound impact on the competitive landscape in the rail transit and the relevant markets. Having the integrated capabilities of traditional design and construction contracting services and the fund raising platform from listing, the Group will welcome a good opportunity for further development.

In 2016, details of the Company's management measures are divided into four major aspects as follows:

– **Supported by the leading advantages in urban rail transit, to expand the design and consultancy business.** By enhancing the efforts in the preliminary stage of a project, we strive to obtain more projects and expand our market share. We will consolidate and expand the Company's leading advantages in survey, design and consultancy areas and devote to maximize our market scales and operational efficiency. We will also adopt a differentiated competition strategy to further expand and develop the civil construction, municipal engineering, integrated development and the survey market as well as to proactively plan for projects overseas. By extending our talent pool through external recruitment and internal promotion, we will nurture more experts in the industry and leading technical professionals in building up a well-structured talent team. Furthermore, the Group will progressively promote corporate merger and acquisition with comprehensive use of its capital advantage in order to develop the differentiated services and optimize and strengthen its corporate capability.

– **Focused on promotion of our own featured EPC brand, to enhance our construction contracting business.** Through systemically developing markets in other cities by leveraging our position in Beijing and by identifying what markets to be explored, we will uphold our traditional advantages in the subway, light rail and modern tram businesses, continually improve our cost control standards and focus on the development of a general contracting business model that is led by design and featured by EPC. By deeply analysing and benefiting from the control and supervisory model of the tram EPC project of Chengyang District in Qingdao, we will focus on the promotion of our own featured EPC brand to continually strengthen our construction contracting business.

– **Driven by investment and financing, to actively foster and develop new business to realize multi-dimensional synergetic development.** Firstly, by strengthening the development of our PPP business, closely monitoring updates on infrastructure construction, fully leveraging the corporate listing platform and by highlighting the role of our design business and guided by investment, we strive to obtain one to two PPP projects in this year. Secondly, by adhering to unified planning for subway construction and property development, we will strive to organically integrate the five links on planning, design, investment, financing and construction. Thirdly, directed by the market and by building a normative platform technological commercialization, we will actively promote the dynamic integration of technological innovation and commercialization to provide a new growth point for the Company's business development. Fourthly, adhering to the principle of industry lateral restructuring and mergers, we will actively prepare for mergers and acquisitions by paying special attention to opportunities arising from acquisitions in the survey design and consultancy business and technology enterprises in order to realize consolidation and extension of our core business. Adhering to the principle of any vertical acquisition must be for a complete industry chain, we will select opportunities in product research and development, operation management, provision of project management services that will bring synergies to our existing industry chain to complete the complete industry chain ecosystem.

– **To accelerate the progress of the A share listing work, enhance the modern corporate governance structure to ensue our healthy development as a listed company.** To raise the level of modern corporate governance, we will continually enhance the building up of our headquarters, improve our service assurance; enhance the system for business unit management to focus on market operation; enhance the internal economic order to strengthen the operation management system; enhance the modernized management level by building up the ERP management system. We will strive to strengthen the production safety management system to eliminate accident involving production safety of a relatively large scale; optimize the remuneration structure and talent appraisal system with a view to developing a competitive remuneration package for the Company as a listed company in order to achieve the synergetic growth of our employee remuneration and shareholders' returns and fulfil the targets of our employees, shareholders and the society.

INDUSTRY ANALYSIS AND COMPETITION LANDSCAPE

China's urban rail transit industry (which is the principal operating business of the Company) starts to speed up its development since 2000, with a year-on-year growth in operation mileages. During the "13th Five-Year" Plan, China's urban rail transit construction will remain at its peak level. According to the express news of "China Urban Rail Transit Association", as at the end of 2015, there were a total of 116 urban transit lines in operation in 26 cities in China, with an operating length of 3,612 km. In 2015, four cities, namely Qingdao, Nanchang, Huai'an and Lanzhou joined the list of cities with urban rail transit in operation, adding 15 operating lines with a total mileage of 438 km. Among the 3,612 km operating mileage, subway accounted for 2,658 km, representing 73.6% of the total length; light rail accounted for 239 km, representing 6.6% of the total length; monorail accounted for 89 km, representing 2.5% of the total length; modern streetcar accounted for 161 km, or 4.5% of the total length; maglev accounted for 49 km, or 1.4% of the total length; city express rail accounted for 412 km, or 11.4% of the total length and APM lines accounted for 4 km, or 0.1% of the total length.

As motor vehicles in urban transportation is subject to restricted growth, rail transit development has become the best solution for urban transportation problems. As compared with overseas countries, the density of rail transit in major cities in China is relatively lower, thus providing a huge potential for development. Although notable development has been achieved in China's urban rail transit construction in recent years, in terms of rail transit density, the ratio of urban rail transit to city size in overseas countries is remarkable higher than those in China. In other words, development of urban rail transit in China is still at a relatively lower level, with huge development potential. In 2015, the National Development and Reform Commission approved the construction plans for urban rail transit in a number of cities, including those for Jinan, Nanjing, Hohhot, Chengdu and Nanchang. Among which, the "Construction Plan of Phase 2 for Urban Rail Transit in Nanjing (2015–2020)" has approved the construction of 8 lines, totalling 157.2 km, in Nanjing, which already has urban rail transit in operation; the "Recent Construction Plan for Urban Rail Transit in Hohhot (2015–2020)" has approved the construction of 2 lines, totalling 51.4 km, in Hohhot, a new city in terms of urban rail transit. There is still a huge room for increase in subway mileage in the cities in China in the future.

With the greatest transportation capacity, subway has the highest operating mileage among China's urban rail transit; with the speedy increase in operating mileage and with the largest investment scale per kilometre, investment scale in subway has shown a steadily increasing trend. In recent years, multi-transit modes are in fast development. In the 2020 total planned mileage, the ratio of subway and other transit modes is 60:40; and in terms of the total planned mileage in the long term, the ratio is 50:50. Such multi-transit modes, predominated by subway, streetcars, city express rail with light rail and monorail accounting for certain portions, are in line with the development trend of the global urban transit structure.

After the 18th National People Congress, the central government has formulated a new blueprint for urbanization, by replacing urbanization focusing principally on real estate and urban centre constructions by integrated green urbanization. Urbanization will increase the demands for urban public transport, thus facilitating the development of rail transit. Municipal transit, as an important part of urbanization, will have a pioneer role in the future development of more cities. Urbanization will drive the formation of more megalopolis, such as those in Circum-Bohai-Sea, Yangtze River Delta and Pearl River Delta, which will lead to the development and construction of short-intercity lines.

For the purposes of passenger conveniences and increased transport capacities, when planning the construction of urban rail transit in a number of cities, consideration has been included in the integrated development of different transit lines within the planning area and between existing and future lines in the planned network of the area and, through the integrated planning of related stations/stops as well as advanced provisions, to realize cross-lines operation, shared rail operation, slow and high speed mixed operations. Innovative designs have appeared in the same site co-construction of sizeable facilities such as transit stations, parking lots, car depots, control centres, main power transformation plants of intersecting and neighbouring lines and routes; the development of integrated transportation hub for the formation of new city areas with urban rail transit as the connector linking multi-transportation modes, such as urban rail, aviation, high-speed rail, intercity transport, long-distance passenger transport, buses, taxis and personal vehicles etc.; and as well as innovative practice guided by "interconnection" internet network.

According to the data of the Ministry of Finance, new urbanization will bring with it a huge demand for investments. Drawbacks of the former urbanization construction which relied on investment and real property financing have been made known and could hardly continue. Setting up a transparent and regulated investment and financing mechanism for urban construction is needed. The public-private-partnership model (PPP model), which provides an effective solution to the demands for financing in urbanization by attracting private capital and expanding the channels for urbanization, forms a diversified and sustainable mechanism for investments.

Substantial development in the urban rail transit industry provides good opportunities for corporate development. Following large scale implementation of urban rail transit constructions, the entry of more and more national and regional competitors in this area has become a general trend, which brings with it intensified competitions among enterprises in the future, particularly in the competition for capital and talents. Facing increasingly fierce competition in the industry, the Company's whole industry chain services offer the Company with differentiated advantages; progress of urbanization, the accelerated integration of Beijing-Tianjin-Hebei areas and the promotion of regional rail transit among cities will provide extensive room for development of the Company's business. The Company's fund raising platform offers the Company with good opportunities for market expansion by the public-private-partnership model (PPP model).

DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wang Hanjun (王漢軍), aged 51, is an executive Director, general manager and deputy party secretary of the Company. He has been the president, deputy party secretary and Director of the Company (the predecessor of which is Beijing Urban Construction Design & Research Institute) since May 2011 and was appointed as an executive Director and general manager of the Company on 28 October 2013. Mr. Wang worked for the First Branch Company under Beijing Urban Construction No. 3 Corporation (北京城建三公司), 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 its director, manager and deputy party secretary and a director and chairman of Beijing Donghu Real Estate Co. (北京市東湖房地產公司), which is primarily engaged in real estate development from October 2004 to May 2006. He continued to act as a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited from May 2006 to October 2007. From October 2007 to December 2007, he held the position of manager of Beijing Urban Construction Xincheng Investment & Development Co., Limited (北京城建新城投資開發有限公司), a subsidiary wholly-owned by BUCG primarily engaged in real estate investment. Then he worked as its manager and director from December 2007 to July 2012. Mr. Wang graduated from Tsinghua University with a bachelor's degree of engineering in water resources and hydropower engineering and construction in July 1988. Mr. Wang was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999 and obtained the qualification of Grade One Constructor from Beijing Human Resources Bureau (北京市人事局) in February 2005.

Mr. Li Guoqing (李國慶), aged 49, is an executive Director, deputy general manager and party secretary of the Company. Mr. Li has been working for the Company since July 1990. He held the position of the secretary of Youth League Committee (團委書記) of the Company from April 1993 to August 1998 and was the vice president of Metro and General Municipal Institute (地鐵市政院) of the Company from August 1998 to September 1999. He worked as the vice president of the Company from September 1999 to March 2001, and was the party secretary and vice president of the Company from March 2001 to November 2002. He has been the party secretary, vice president and Director of the Company since November 2002, during which he also held the position of general manager in China Metro Engineering Consulting Co., Ltd., which is primarily engaged in engineering consultancy between September 2006 and May 2012. Mr. Li obtained a bachelor's degree in engineering majoring in heating, ventilation and air conditioning from Tsinghua University in July 1990. He obtained a master's degree and a doctor's degree of engineering both majoring in heating, gas, ventilation and air conditioning engineering from Tianjin University in March 2009 and June 2012, respectively. He was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2005. He obtained his certificate of PRC registered utility engineer (中國註冊公用設備工程師) from the Ministry of Housing and Urban-Rural Development in October 2010. Mr. Li has been a representative of the People's Congress of Xicheng District, Beijing, since November 2011.

NON-EXECUTIVE DIRECTORS

Ms. Wang Liping (王麗萍) (formerly known as Wang Liping (王立平)), aged 57, is the chairman and non-executive Director of the Company, and is the deputy general manager of BUCG. Ms. Wang served as the Director and Chairman of Beijing Urban Construction Design & Research Institute Co., Ltd., our predecessor, from November 2002 to the date of conversion of the Company, during which period she also acted as its acting president from February 2009 to May 2011. She was appointed as the chairman and non-executive Director of the Company on 28 October 2013. Ms. Wang worked at the Enterprise Department of Beijing Urban Construction Engineering Corporation (北京市城市建設工程總公司), the predecessor of BUCG, from September 1986 to October 1992. She served as the chief economist of Beijing Urban Construction Decoration Engineering Corporation Company (北京市城市建設裝飾工程公司) in charge of its economic work from October 1992 to September 1993; the deputy chief economist of Beijing Urban Construction Group Corporation (北京城建集團總公司), the predecessor of BUCG, from September 1993 to July 1994; the chief economist of Beijing Urban Construction Group Corporation from July 1994 to July 1999; and the chief economist of BUCG, which was principally engaged in construction contracting, real estate development and design and consultancy businesses before its reorganization, from July 1999 to July 2012. She has been acting as the deputy general manager of BUCG since July 2012. Ms. Wang obtained her bachelor's degree in economics majoring in political economics from Nankai University (南開大學) in Tianjin in September 1984 and was awarded a master's degree in economics by Nankai University in September 1986. Ms. Wang was qualified as a senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in December 1993.

Mr. Chen Daihua (陳代華), aged 52, is a non-executive Director of the Company, and is the deputy party secretary, director and general manager of BUCG. Mr. Chen worked at Beijing University of Civil Engineering and Architecture (北京建築工程學校) from July 1984 to July 1991 and served as the deputy officer of the basic technique teaching and research section of the university from July 1991 to July 1992; the executive vice director of the intermediate vocational section of Beijing University of Urban Construction Engineering (北京城建工程學校職工中專部) from July 1992 to October 1993; the vice president of the academic department of Beijing University of Civil Engineering and Architecture from October 1993 to June 1995; and the vice principal of Beijing Urban Construction Training Center (北京城建培訓中心) from June 1995 to October 1999. He served as the deputy manager of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司) from October 1999 to August 2000, and as its deputy party secretary, vice chairman and manager from August 2000 to November 2003. Besides, he acted concurrently as the party secretary and chairman of Beijing Urban Construction Road and Bridge Engineering Co., Ltd (北京城建道橋工程有限公司) and the manager of Beijing Xincheng Shuncheng Investment Development Co., Ltd. (北京新城順城投資開發有限公司), which is primarily engaged in real estate development, from November 2003 to August 2006. He worked as the deputy general manager of BUCG from August 2006 to May 2011; and the standing committee member of the Party Committee and deputy general manager of BUCG from May 2011 to May 2012. He has been the deputy party secretary, director, general manager, the party secretary and the chairman of BUCG since May 2012. He acted as a director, the general manager, the party secretary, the vice chairman and the chairman of Beijing Urban Construction Investment Development Co., Ltd. (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) since June 2006. Mr. Chen was awarded the EMBA degree from Guanghua School of Management of Peking University (北京大學光華管理學院) in July 2009. Mr. Chen was qualified as a senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Ms. Guo Yanhong (郭延紅), aged 48, is a non-executive Director of the Company, and is the deputy Party secretary, director and general manager of BUCG. From August 1989 to May 1993, Ms. Guo worked at Beijing No. 3 Construction Engineering Co., Ltd. (北京市第三建築工程公司). She served as the chief project engineer of Beijing No. 3 Construction Engineering Co., Ltd. (北京市第三建築工程公司) from May 1993 to December 1999. She served as the deputy manager and general economist of Beijing No. 3 Construction Engineering Co., Ltd. (北京市第三建築工程公司) from December 1999 to December 2001. She served as head of the investment management department of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from December 2001 to March 2003. She served as the deputy general economist and head of the investment management department of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from March 2003 to July 2004. She served as the general economist of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from July 2004 to May 2010. She served as the deputy general manager of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from May 2010 to September 2010. She served as the standing committee member of the Party Committee and deputy general manager of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from September 2010 to February 2015. She served as the standing committee member of the Party Committee, director and deputy general manager of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司) from February 2015 to October 2015. She has been the deputy Party secretary, director and general manager of Beijing Urban Construction Group Co., Ltd. since October 2015. She has been the vice chairman of Beijing Urban Construction Investment Development Co., Ltd. (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) since October 2015. From September 1985 to August 1989, Ms. Guo studied at Hunan University (湖南大學), majoring in civil engineering, and obtained a Bachelor's degree in engineering. From January 1999 to December 2003, she took an engineering management course at Tsinghua University (清華大學) through on-the-job learning, and obtained a Master's degree in engineering. Ms. Guo was awarded a senior engineer qualification by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999.

Mr. Wang Hao (王灝), aged 50, is a non-executive Director of the Company, and is the deputy party secretary, vice chairman and general manager of Beijing Capital Group Ltd. Mr. Wang acted as the executive secretary, factory manager assistant, head of the enterprise development department and deputy factory manager of the 3rd Factory Party Committee Office of Beijing Coal Corporation (北京市煤炭總公司) from July 1990 to December 1994; the deputy manager of Beijing Coal Corporation and general manager of Beijing Golden Time Real Estate Development Co., Ltd. (北京金泰房地產開發公司) from December 1994 to June 1999; the party member and deputy head of Beijing Municipality Overseas Finance and Investment Managing Center (北京市境外融投資管理中心) from June 1999 to January 2001; the party member, director and deputy general manager of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司) from January 2001 to July 2001; the director, deputy general manager and standing committee member of the Party Committee of Beijing Metro Group Co., Ltd. from July 2001 to November 2003; the party member, deputy general manager, deputy party secretary, director and general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) from November 2003 to December 2009; the member of the Party Committee and deputy head of the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會) from September 2009 to January 2013; he was the deputy party secretary, vice chairman and general manager of Beijing Capital Group Ltd. from January 2013 to May 2015; its party secretary, chairman and general manager from May 2015 to November 2015; the deputy secretary and acting district president of Chaoyang District in Beijing from November 2015 to January 2016; the vice chairman of Beijing Capital Co., Ltd. (北京首創股份有限公司) (a company listed on Shanghai Stock Exchange, Stock Code: 600008) and the director of Beijing Capital Land Ltd. (首創置業股份有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 2868) from August 2013 to September 2015. He has been acting as the non-executive director of Beijing Capital Juda Limited (首創鉅大有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 1329) since December 2013; the chairman of Beijing Capital Co., Ltd. and Beijing Capital Land Ltd. since September 2015. Mr. Wang obtained a bachelor degree of engineering majoring in mining engineering from Liaoning Technical University from August 1986 to July 1990; a master degree of engineering majoring in management system engineering from Liaoning Technical University from September 1991 to April 1994; a doctoral degree majoring in political economics from School of Economics, Peking University from September 2001 to January 2006; and he studied and worked in the public administration postdoctoral station of School of Government, Peking University from January 2009 to June 2012; Mr. Wang was qualified as a 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 August 2001.

Mr. Guan Jifa (關繼發), aged 50, is a non-executive Director of the Company, and is the deputy general manager of Beijing Infrastructure Investment Co., Ltd.. From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban No. 3 Construction Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd. (北京京創投資有限公司) from January 2008 to March 2010. He has been the general manager of the land development business department, assistant to the general manager and deputy general manager of Beijing Infrastructure Investment Co., Ltd. since March 2010. He has been a non-executive director of China City Railway Transportation Technology Holdings Company Limited (a company listed on Hong Kong Stock Exchange, Stock Code: 1522) since October 2015. Mr. Guan obtained a Bachelor's degree majoring in mining engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1987. From August 1992 to June 1994, he studied at Northern Jiaotong University (北方交通大學), majoring in railway engineering. From April 2002 to July 2004, he took an MBA course at University of International Business and Economics in China (中國對外經濟貿易大學) through on-the-job learning. In January 2009, he obtained a Doctorate degree majoring in civil engineering construction and management from Xi'an University of Architecture and Technology (西安建築科技大學). Mr. Guan was awarded a senior engineer qualification by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999.

Mr. Su Bin (蘇斌), aged 49, is a non-executive Director of the Company, and the deputy general manager of Beijing Rail Transit Construction and Management Co., Ltd. (北京市軌道交通建設管理有限公司) ("Rail Transit Company"). Mr. Su served at the Ministry of Railways and was in charge of the technical and management work for several years from July 1988. He acted as the chairman and party secretary of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the "No. 3 China Railway") from October 2001 to February 2003; the deputy supervisor and chief engineer of Beijing supervising unit of the No. 3 China Railway from February 2003 to July 2003; and the supervisor of Jijie-Mongolia highway construction and supervising unit of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at Rail Transit Company from December 2003 to May 2008 and served as the deputy secretary and general manager of Line 5 project management unit, and the secretary of Line 10 project management unit in Beijing. Mr. Su has been the deputy general manager of Rail Transit Company since May 2008. Mr. Su obtained his bachelor's degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master's degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a 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. Kong Lingbin (孔令斌), aged 52, is a non-executive Director of the Company, and the deputy general manager of Gonglian Company. Mr. Kong worked at various positions in the Bureau of Finance of Fengtai District, Beijing (北京市豐台區財政局) from November 1982 to January 2007, including the officer and the deputy head of the industry and enterprise division, the deputy head and the head of budget division, the deputy head of the bureau, the deputy party secretary, the party secretary and the bureau head (during which he also acted as the head of Fengtai District Land and Resources Bureau (豐台區國資局), the party secretary and the head of Fengtai District Local Taxation Bureau (豐台區地稅局), and the manager of Fengtai District State-owned Integrated Investment Operation Company (豐台區綜合投資經營公司)). From January 2007 to December 2009, he served as the secretary of the labour party committee and the president of the management party committee of Fengtai Zone, Zhongguancun Science Park in Fengtai District, Beijing. He was the deputy chief officer of Fengtai District Government, Beijing, from December 2009 to January 2012. He attended the fourth session of the training course for leading cadres of county bureau level at Beijing Municipal Communist Party School from February 2012 to January 2013. Further, he has been the deputy general manager of Gonglian Company primarily engaged in the construction management of urban roads and facilities since January 2013. Mr. Kong graduated from Central College of Finance and Economics (中央財經學院) in Beijing majoring in finance in June 1988; graduated from University of International Business and Economics in Beijing majoring in international trade in June 1998; obtained his bachelor's degree in economics and management from the Correspondence Institute of the Central Party School of C.P.C. in December 1996; and finished his postgraduate study in economics and management at China Beijing Municipal Communist Party School in July 2002.

Mr. Tang Shuchang (湯舒暢), aged 55, is a non-executive Director of the Company, and the head of the capital management department and an assistant to the general manager of Beijing Urban Construction Group. Mr. Tang worked as an assistant to the logistics department in Army 00092 of Infrastructural Engineering Brigade (基建工程兵零零零九二部隊) from December 1978 to July 1983; the officer of the finance division of Beijing Urban Construction No. 4 Corporation (北京城建四公司) from August 1983 to April 1991; the cost accountant of the finance department of Beijing Urban Construction Group Corporation (北京城建總公司) from April 1991 to June 1995; the deputy head of the asset department of Beijing Urban Construction Group from June 1995 to June 1998; he has been the head of the capital management department of Beijing Urban Construction Group since June 1998; an assistant to the general manager of Beijing Urban Construction Group since March 2011; the supervisor of Beijing Urban Construction Investment Development Co., Ltd (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) since July 2002. Mr. Tang graduated from Central College of Finance and Economics (中央財經學院) majoring in infrastructure finance and credit in July 1988; he was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Fengchao (張鳳朝), aged 69, is an independent non-executive Director of the Company. From August 1968 to September 1979, Mr. Zhang worked as an exploration worker, the vice secretary of Chinese communist party sub-committee, the vice division head, and the deputy secretary to the Party general branch of the Wangping Village coal mine under Beijing Mining Bureau (北京礦務局). From September 1979 to January 1985, he worked at the party school, the education training centre (including the party school) and the organisation division under Beijing Mining Bureau in various positions including the division head, the deputy principal, the general vice director and vice secretary, and the vice head of organisation division. From January 1985 to November 1998, he acted as the vice party secretary (and also as the secretary of the disciplinary committee and vice chairman of Mentougou District People's Congress) and the secretary of Beijing Mining Bureau. From November 1998 to January 2000, he acted as the standing vice secretary for Beijing National Authority Working Committee (北京市國家機關工委). From January 2000 to October 2003, Mr. Zhang served as the secretary for Urban Construction Working Committee of the Beijing Municipal Committee (北京市委城建工委) and from October 2003 to November 2007, he served as the secretary and vice director of the Committee of the State-owned Assets Supervision and Administration of the People's Government of Beijing Municipality (北京市人民政府國資委監督管理委員會). From November 2007 to October 2008, he was the executive director for the National Stadium Operation Team of the Beijing Olympic Organisation Committee, and from October 2008 to May 2010, he served as the team-head of the scientific development teaching and guiding team of the Beijing Municipal Committee. Mr. Zhang retired in May 2010. Since May 2010, he has been the Chair of Beijing Olympic City Development Foundation (北京奧運城市發展基金會). Since December 2013, he has held the office of the vice chairman of the board of Beijing Charity Foundation (北京市慈善基金會). Mr. Zhang graduated as an on-the-job post-graduate majoring in economics and management from Central Party School of Chinese Communist Party in January 1997. He was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2004.

Mr. Wang Dexing (王德興), aged 69, is an independent non-executive Director of the Company. He worked in the flood detention office, Taiqian County, Henan Province (河南省台前縣滯洪辦公室) from 1962 to 1965. From 1965 to 1971, Mr. Wang took up the role as the secretary and vice platoon leader of the 17th company of 57th regiment of Railway Brigade and participated in the first phase construction work (parts of construction work of Line 1 and Line 2) for Beijing Subway, the first underground railway in China. In 1971, he switched to work in Beijing Metro Corporation (北京地鐵總公司) and till 2001 served as the party secretary for the metro power supply session and the vehicle session of Taiping Lake (太平湖) and the head of organization department of the Party Committee, general committee member, deputy party secretary and secretary of the disciplinary committee as well as party secretary of Beijing Metro Corporation. From 2001 to 2003, Beijing Metro Corporation was converted into Beijing Metro Group (北京地鐵集團). Mr. Wang served as the chairman and party secretary of the group and the chairman and party secretary of Beijing Mass Transit Railway Operation Corporation (北京地鐵運營公司). Between 2003 and 2008, he acted as the chairman and party secretary of Beijing Mass Transit Railway Operation Corporation. Between 2006 and 2011, Mr. Wang took up the role as the director for both Beijing Infrastructure Investment Co., Ltd. and Beijing Environment Sanitation Engineering Group (北京環衛集團). Between 1995 and 2010, he served as the chairman of Research Association of the Party Construction of Beijing Subway Light Rail (北京地鐵輕軌黨建研究會). Mr. Wang had been elected as the 8th, 9th and 10th Party representative of Beijing Municipality, the representative for the 12th NPC (National People's Congress) of Beijing Municipality and the deputy head for the NPC Urban Construction and Environmental Protection Committee (城建環保委員會) for that session. Mr. Wang graduated from Beijing Municipality Xicheng Vocational College (北京市西城職大) in 1984; graduated from Beijing College of Accounting and Finance (北京財貿學院) in 1987 through on-the-job learning; graduated from the class for further studies for prefectural and departmental cadres of the Central Party School in 1993. In 1995, Mr. Wang graduated from Central Party School majoring in Economics and Management.

Dr. Yim Fung (閻峰), JP, aged 52, is an independent non-executive Director of the Company. He has over 23 years' experience in the financial industry. Dr. Yim joined Junan Securities Co., Ltd. (君安證券有限公司) in 1993 and joined Guotai Junan Hong Kong Group (國泰君安香港集團), which is primarily engaged in financial services, in 2000. He currently acts as the chairman of the board, executive director and chief executive officer of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 1788) and is fully in charge of the general operation of Guotai Junan International Holdings Limited. Dr. Yim has been a non-executive director of Shenzhen International Holdings Limited (深圳國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 0152) since May 2014. Dr. Yim is a senior economist, and holds doctorate of economics of Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) and a bachelor's degree in environmental engineering of Tsinghua University (清華大學). Dr. Yim is a committee member of the 10th and 11th Inner Mongolia Autonomous Region of Chinese People's Political Consultative Conference. Dr. Yim was also the third and the fourth chairman and is currently a Life Honorary Chairman of the Chinese Securities Association of Hong Kong (香港中資證券業協會).

Mr. Sun Maozhu (孫茂竹), aged 56, is an independent non-executive Director of the Company. He obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr. Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by China Securities Regulatory Commission and School of Economics & Management Tsinghua University (清華大學經濟管理學院) in June 2002 and currently serves as an independent director for Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600376), Luoyang Bearing Science & Technology Co., Ltd. (洛陽軸研科技股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 002046) and Lanpec Technologies Co., Ltd. (甘肅藍科石化高新裝備股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 601798). He obtained his bachelor's degree of economics majoring in financial accounting from Renmin University of China in July 1984. In July 1987, he obtained his master of economics in accounting from Renmin University of China. Mr. Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 48 is an independent non-executive Director of the Company. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the research centre on transport and environment of the School of Civil Engineering of Beijing Jiaotong University. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master of science degree in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctor of engineering degree in civil structural engineering from Dalian University of Technology. In December 1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Northern Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the working committee of Urban Rail Transit Technology of China Civil Engineering Society. In December 2002, Mr. Liang obtained the qualification of Senior Teachers of Higher Education from Beijing Municipal Commission of Education (北京市教育委員會).

SUPERVISORS

Mr. Yao Guanghong (姚廣紅), aged 59, is a Supervisor and the chairman of the Board of Supervisors, and a standing committee member of the Party Committee, secretary of disciplinary committee and director of BUCG. Mr. Yao worked in the Armored Force Institute of Technology (裝甲兵技術學校) from December 1970 to September 1974. He was a mathematics teacher of the Armored Force Institute of Technology (裝甲兵技術學院) from January 1978 to November 1980. He was an advisor of the Dean's Office of the Air Force Engineering College Centre (空軍工程學院教務處) from November 1980 to August 1984; an advisor of the Equipment Department of Air Command (空軍司令部裝備部) from August 1984 to March 1995; the head of the Operation Cost Payment Centre of the Equipment Department of Air Command (空軍司令部裝備部) from March 1995 to February 1998; a deputy teaching fellow of the Dean's Office of the Air Force Engineering College Training Centre (空軍工程學院教務部) from February 1998 to January 2000; the head and secretary of the Outdoor Training Department of Air Force Engineering University (空軍工程大學工程學院外訓系) from January 2000 to March 2005; the vice general manager of Beijing BeiAo Co., Ltd. (北京北奧有限責任公司) from March 2005 to March 2006; and a secretary of disciplinary committee of Beijing ZhuZong Group Co., Ltd. (北京住總集團有限責任公司), which is primarily engaged in real estate development, from February 2006 to April 2011. He has been a standing committee member of Party Committee, a secretary of disciplinary committee and a director of BUCG since April 2011. Since 28 October 2013, Mr. Yao has served as a Supervisor and the chairman of the Board of Supervisors of the Company. He has been the chairman of the supervisory board of Beijing Urban Construction Investment & Development Co., Ltd. (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) since June 2011. He studied mathematics at the Mathematics and Mechanics Department in Peking University from October 1974 to January 1978. He studied and completed his undergraduate studies majoring in Air Force Labour Affair and Economic Management in Renmin University of China from September 1993 to July 1995. He graduated from Huazhong University of Science and Technology majoring in administrative management in June 2005. Mr. Yao was qualified as a senior engineer by Professional Job Evaluation Committee of Ideology Political Works of Beijing (北京市思想政治工作高級專業職務評審委員會) in November 2011.

Ms. Nie Kun (聶菎), aged 45, is a Supervisor of the Company, and the first chairman of the supervisory board of BUCG. She was engaged in accounting work in the fifth sub-company of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from July 1992 to March 1996. She was the chief officer of the fifth sub-company of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from March 1996 to March 1997. She was a senior staff of the audit department of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from March 1997 to October 1999; a staff of the finance department of BUCG Xinye Company from October 1999 to April 2000; a senior staff of the first unit of the audit department of BUCG from April 2000 to September 2004; a deputy head of the audit and investigation department of BUCG; the head of the finance department of BUCG from May 2011 to February 2012; and the first chairman of the supervisory board of BUCG since February 2012. Since 28 October 2013, Ms. Nie has served as the Supervisor of the Company. She obtained a bachelor of economics degree in investment economic management from the Central Institute of Finance (中央財政金融學院) in June 1992. She obtained a professional accountant certification from the Beijing Municipal Bureau of Finance (北京市財政局) in September 1995, and was recognised as a qualified internal auditor by China Association of Internal Audit (中國內部審計協會) in December 2003. She was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in January 2005. She became a non-practicing member of Chinese Institute of Certified Public Accountants in September 2010.

Mr. Fu Yanbing (傅炎冰), aged 27, is a Supervisor of the Company, and the chief of the fund investment department of Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心) and a senior vice-president of Beijing Equity Investment Development and Management Co., Ltd. (北京股權投資發展管理有限公司). Mr. Fu was an assistant of the fund investment department of Beijing State-owned Capital Operation and Management Center from July 2011 to July 2013 and has been the chief of the fund investment department of Beijing State-owned Capital Operation and Management Center since July 2013. Mr. Fu has been a senior vice-president of Beijing Equity Investment Development and Management Co., Ltd. since March 2015. Mr. Fu obtained a Bachelor's degree majoring in basic mathematical science (數理基礎科學) from Tsinghua University in July 2009 and a Master's degree majoring in applied economics (應用經濟學) from Tsinghua University in July 2011.

Mr. Chen Rui (陳瑞), aged 42, is a Supervisor of the Company, and the executive director of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司) and head of its Shenzhen office. 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; served as an investment manager, vice investment president, chief supervisor, executive director and head 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 now. Since 28 October 2013, Mr. Chen has served as a Supervisor of the Company. He obtained a bachelor of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Mr. Ren Chong (任崇), aged 40, is a Supervisor of the Company, and the vice general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren started to work in 1996, and he has more than ten years of investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture capital investment, from March 2008 to June 2009; the project manager of Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), which is primarily engaged investment management, from July 2009 to February 2012; the deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd., which is primarily engaged in investment management business and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (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 has served as a Supervisor of the Company since 28 October 2013. Mr. Ren obtained a bachelor of engineering majoring in metal material and processing from Central South University of Technology in June 1996 and a master of management majoring in enterprise management from Nankai University in June 2004.

Ms. Mi Jianzhou (彌建洲), aged 47, is an employee representative Supervisor of the Company, and also deputy secretary of the Party Committee, secretary of the disciplinary committee and chairman of the trade union of the Company. Ms. Mi was a lecturer of Beijing First Normal School from July 1991 to March 1995; and served as the secretary of the management office, the deputy secretary and secretary of Youth League Committee, the vice chairman and the chairman of the trade union of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司) from April 1995 to May 2003. She was the vice chairman of the trade union of BUCG from June 2003 to February 2012. Since March 2012, she has served as a deputy secretary of the Party Committee, secretary of the disciplinary committee and chairman of the trade union of the Company. Since 28 October 2013, Ms. Mi has served as an employee representative Supervisor of the Company. Ms. Mi obtained a bachelor of laws majoring in the theory of political and legal education from Capital Normal University (formerly known as Beijing Normal College) in July 1991. In July 1998, she graduated as a postgraduate majoring in business and economics from the Finance, Economics and Business Department of the Graduate School of Chinese Academy of Social Sciences in Beijing. Ms. Mi was qualified as a senior engineer by Professional Job Evaluation Committee of Ideology Political Works of Beijing (北京市思想政治工作高級專業職務評審委員會) in November 2002.

Mr. Zhang Wei (張巍), aged 46, is an employee representative Supervisor of the Company, and the vice president of the rail transit institute of the Company. Mr. Zhang has worked in the Company since August 1993 as the president of the Fifth Design Institute of Beijing Urban Construction Design Institute (北京城建設計總院), the president of its Ningbo sub-institute and the vice president of the Rail Transit Institute. Mr. Zhang participated and organised the edition of "Principle and Application of Urban Rail Transit Power Supply System Design" (《城市軌道交通供電系統設計原理與應用》) and "Subway Traction Power Supply" (《地鐵牽引供電》), which were published by Southwest Jiaotong University Press (西南交通大學出版社) and China Electric Power Press (中國電力出版社), respectively. Since 28 October 2013, Mr. Zhang has served as an employee representative Supervisor of the Company. He obtained a bachelor of engineering from the Department of Automatic Control of Beijing University of Technology in July 1993. 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 December 2003. Mr. Zhang was elected as the 14th NPC member of Xicheng District of Beijing in November 2006.

Mr. Wang Jingang (王金剛), aged 44, is an employee representative Supervisor and the chief accountant of the Construction General Contracting Department of the Company. From July 1995 to March 2002, he worked as cashier, accountant, auditor and chief finance officer in charge of individual projects in Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司) (now renamed as Beijing Urban Construction Far Eastern Construction Investment Group Co., Ltd (北京城建遠東建設投資集團有限公司)). He was the person-in-charge of the accounting matters and the project-based finance head for the EPC contracting department of BUCG and relevant projects; he also served as the head of finance and the deputy chief accountant of the second general contracting department (renamed as civil engineering general contracting department) of BUCG from March 2002 to October 2012. He participated in the drafting and amendment of "Beijing Urban Construction Group Accounting Methods for Construction Enterprises" (北京城建集團《施工企業會計核算辦法》) in 2005. Mr. Wang acted as the chief accountant of the rail transit EPC contracting department of BUCG in October 2012. In December 2012, the rail transit EPC contracting department of BUCG was restructured and consolidated into the Company (currently known as the construction general contracting department of the Company) and Mr. Wang continues to work on his original position in the Company. Since 28 October 2013, Mr. Wang has served as an employee representative Supervisor of the Company. Mr. Wang obtained a bachelor of economics in auditing from Zhengzhou Aviation Industry Management Institute (鄭州航空工業管理學院) in July 1995 and a master of science (business administration specialisation) from New Jersey Institute of Technology in May 2011. He 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 April 2009.

Mr. Wang Wenjiang (王文江), aged 41, is an employee representative Supervisor, the secretary of the Youth League Committee and head of the operating and management department of the Company. Mr. Wang has been serving as a deputy head of the operating department, the head of the enterprise and management department, the head of the Ninth Design Institute, the secretary of the Youth League Committee and head of the operating and management department of the Company since March 1998. Mr. Wang was awarded a bachelor's degree majoring in industrial and civil architectural engineering by Taiyuan University of Technology in July 1995 and a master's degree in architectural economics and management from Southeast University in April 1998. In December 2002, Mr. Wang was granted a certificate of registered cost engineer from the Standards & Quotas Department of the Ministry of Construction (建設部標準定額司). He was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in September 2005.

Mr. Zhang Junming (張俊明), aged 69, is an independent Supervisor of the Company. From October 1969 to December 1981, Mr. Zhang served as a deputy instructor, an instructor and a deputy political commissar in Qingdao Marine Police District under the Beihai Naval Fleet (海軍北海艦隊). He took up the role as a cadre for the Cadre Division of Beijing Digital Instrument Industrial Bureau (北京電子儀器表工業局幹部處) from December 1981 to November 1983. From November 1983 to October 1997, he served as a deputy head, the head of the organization department, the deputy secretary of the Party Committee and secretary of the disciplinary committee and a director in Beijing Instrument and Gauge Corporation (北京市儀器儀錶總公司). From November 1997 to October 2003, Mr. Zhang acted as a deputy secretary for the Industrial Working Committee of Beijing Municipal Party Committee (北京市委工業工作委員會). He was also the secretary of the Party Committee for Beijing Economic and Management Cadre Institute (北京市經濟管理幹部學院) in 2001. From October 2003 to December 2008, he served concurrently as the deputy director and secretary of the disciplinary committee for the State-owned Assets Supervision and Administration Commission of Beijing Municipality and the secretary of the Party Committee for the Party School of SASAC. From December 2008 to December 2012, he took up the role as a deputy head for the Economics Committee of the Chinese People's Political Consultative Conference in Beijing. Mr. Zhang graduated from the Party School of the Beijing Municipal Party Committee in July 1998, specializing in ideology and political education and management. In March 1994, he was qualified as a senior engineer by Beijing Senior and Professional Job Evaluation Committee for Enterprise Workers Engaging in Ideological and Political Matters (北京市企業思想政治工作人員高級專業職務評審委員會).

Mr. Zuo Chuanchang (左傳長), aged 50, is an independent Supervisor of the Company. Mr. Zuo worked on project management and science and research editing in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted science and research editing in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. He was granted a post-doctorate degree jointly offered by Institute of Economics Chinese Academy of Social Science (中國社會科學研究院經濟研究所) and Guangdong Fenghua Advanced Technology (廣東風華高科) in October 1999 to December 2001. He took up the role as a deputy researcher for Academy of Economic Research of the National Development Planning Commission (國家發展計劃委員會) (now known as the NDRC) from December 2001 to March 2005. He was a deputy head and subsequently the head for the Macro-economic Research Institute of the NDRC (國家發展和改革委員會宏觀經濟研究院) from March 2005 to September 2011. He has been serving as a deputy researcher for the Economic Research Institute of the NDRC since October 2011. He has been the vice president of Institute of Scientific Research of Tsinghua University (清華大學科研院) since September 2014. 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 41, 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; the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005; the deputy head and head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy officer of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008); an assistant to the general manager of BUCG from February 2008 to 14 April 2014; and 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 51, is a deputy general manager of the Company, and the president of Beijing Rail Transit Design & Research Institute Co., Ltd.. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992; 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; 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; the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006; the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from March 2005 to 21 October 2014; the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute from 14 March 2008 to 21 October 2014; the deputy president of the Company from May 2003 to December 2013; and the president of Beijing Rail Transit Design & Research Institute Co., Ltd. since 23 July 2014. Since 16 December 2013, Mr. Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering majoring in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985. Mr. Jin obtained a master's degree of science majoring in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Wang Liang (王良), aged 50, is a deputy general manager of the Company and the general manager of the Construction General Contracting Department of the Company. Mr. Wang acted as an assistant engineer, an engineer, the deputy director, the director, the vice president and the president 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 EPC Contracting department of BUCG from March 2004 to June 2006; the deputy manager of general 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 general contracting department of BUCG in October 2012. In December 2012, the Rail Transit EPC 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 General Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the first class constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Xu Xiaodong (徐曉冬), aged 51, is a deputy general manager of the Company. Since July 1986, Mr. Xu has acted as the deputy director of the Computing Centre, the assistant to president and the deputy president of the Company (from February 2000 to June 2001 he was the head of the Enterprise Department of BUCG, and from July 2001 to September 2004 the head of the Economics Research Centre and the manager of the Office of Information Enforcement of BUCG). He has been a deputy president for the Company from September 2004 to December 2013. Since 16 December 2013, Mr. Xu has been serving as a deputy general manager of the Company. Mr. Xu obtained a bachelor's degree of Engineering majoring in structural construction engineering from Beijing University of Technology in July 1986, and a master's degree in business administration from the Beijing University of Aeronautics and Astronautics in March 2005. Mr. Xu was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in December 1996.

Mr. Wan Xuehong (萬學紅), aged 55, is a deputy general manager of the Company. Mr. Wan acted as an assistant engineer, an engineer and the officer of the technique department for the No. 2 Engineering Company of Beijing Railway Engineering Corporation under Beijing Railway Bureau from July 1982 to June 1992; the general superintendent of the scientific research projects of the Beijing Academy of Science and Technology of Beijing Railway Bureau from June 1992 to November 1993; and he has held the positions of the project manager, the department head, the deputy chief engineer, the deputy president and the assistant to president of Beijing Urban Construction Design & Research Institute and the general manager and the vice president of the Huazhong Branch Institute since November 1993 (from July 2012 to 23 July 2014, he has been the president for Beijing Rail Transit Design and Research Institute as well as the vice president of the Company). Since 16 December 2013, Mr. Wan has been serving as a deputy general manager of the Company. Mr. Wan obtained a bachelor's degree of engineering majoring in railway construction from Changsha Railway University in July 1982. In June 2006, he was qualified as a senior engineer of professor-level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Yang Xiuren (楊秀仁), aged 51, is the Chief Engineer of the Company. Mr. Yang has been an assistant engineer of the Bridge and Tunnel Department of No. 3 Survey Institute (第三勘察設計院橋隧處) under the Ministry of Railway from July 1986 to December 1991; an engineer and the chief engineer for the Fourth Design Studio of Beijing Urban Construction Design and Research Institute from January 1992 to January 1996; the head of the Technical Department, the deputy chief engineer and the deputy president and chief engineer from January 1996 to May 2003; and has been the Chief Engineer of the Company since May 2003. Mr. Yang obtained a bachelor's degree of engineering majoring in tunnel and underground railway from Southwest Jiaotong University. In December 2003, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Li Siguo (李四國), aged 56, is the Chief Accountant of the Company. Mr. Li was a clerk in No. 9 Sub-team of Infrastructural Engineering Brigade (基建工程兵第九支隊) (and studied in an army school) from January 1979 to May 1983; an accountant of the Administrative Department in Beijing Urban Construction Group Corporation from June 1983 to April 1988; the finance chief of the Beijing Urban Construction Quality Supervision Station No. 3 Station from May 1988 to December 1992; the chief accountant in the Finance Department of BUCG from January 1993 to September 2002; and has acted as the Chief Accountant of the Company since October 2002. Mr. Li graduated from the CPC Beijing Party School majoring in economics and management in July 2005, and completed the postgraduate study in enterprise management from the Capital University of Economics and Business in January 2001. In December 2000, he was qualified as a senior accountant by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會).

Mr. Liu Li (劉立), aged 49, is the chief economist of the Company. He was a designer of the structure department of the Beijing Urban Construction Design Institute (北京城建設計院) from July 1990 to October 1996; the deputy general manager of Beijing Chengrong Waterproof Material Co., Ltd. (北京城融防水材料有限公司) from October 1996 to October 1998; the head of operating department and the assistant to president of Beijing Urban Construction and Design Institute (北京城建建築設計院) from October 1998 to December 2002; the head of operating department and the assistant to president of Beijing Urban Construction Design & Research Institute from December 2002 to September 2007; the vice president of the municipal department Beijing Urban Construction Design & Research Institute Co., Ltd. from September 2007 to September 2009. He has been the deputy chief economist and the chief economist of the Company since September 2009. Mr. Liu graduated from Beijing University of Technology (北京工業大學) majoring in industrial and civil architecture in July 1990. He was qualified as an engineer by Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) in February 1995 and qualified as a senior administrator of business administration in June 2010.

Mr. Xuan Wenchang (玄文昌), aged 47, is the secretary of the Board and a joint company secretary of the Company. Mr. Xuan worked with the 4th department of the No. 3 China Railway from July 1990 to December 1992; acted as the project financial manager for the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from December 1992 to September 2000; acted as a manager under the Finance Department of Beiyuan Hotel of BUCG from September 2000 to September 2006; worked at Beijing Urban Construction Investment Management Company from September 2006 to April 2008 (acted as the chief financial officer for Beijing Haiya Jinyuan Environmental Co., Ltd. from September 2006 to February 2008); acted as the deputy chief accountant of the Company from June 2008 up to now; acted as the head of the Listing Preparation Office of the Company from August 2011 to October 2014; and acted as the secretary of the Board and company secretary of the Company since 16 December 2013. Mr. Xuan graduated in Finance and Accounting from Shanghai Railway Institute in July 1990, and obtained an executive master's degree in senior business administration from Renmin University of China. In February 2007, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) and became a certified management accountant of the Institute of Certified Management Accountants in the U.S. in June 2013.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited presents its Report of the Board of Directors together with the audited financial statements of the Group for the year ended 31 December 2015.

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 report period, with favorable condition for comprehensive development of urban rail transit in China, the Company continued to expand the design, survey and consultancy business, and took up new projects under innovative models, resulting in a steady increase in business revenue with good performance results in general. For the year ended 31 December 2015, the revenue of the Company amounted to 4,009 million, representing an increase of RMB663 million or 19.8% compared with the corresponding period of last year, among which revenue from the design, survey and consultancy business was RMB1,964 million, accounting for 49%, and revenue from the construction contracting business was RMB2,045 million, accounting for 51%. The net profit amounted to RMB398 million, representing an increase of RMB47 million or 13.4% compared with the corresponding period of last year.

The rail transit design and consultancy business, which is the Company's long-existing and core business, continued to expand in scale. The Company was awarded a number of general design contracting projects for traffic lines in a number of cities as well as various design jobs for stations, sections, equipment system and initial stage design work. The Company has newly established markets in Yantai, Haikou, Hohhot, Tianjin Binhai New District and Changsha etc., which further strengthened the Company's leading position in rail transit design and consultancy. During the report period, the Company achieved major breakthroughs in new business highlighted by the PPP project – the Outer Ring North Road PPP project in Anqing City. The Company is tracking the developments of a number of PPP projects in various places and regions, hopeful of winning more projects in 2016. In March 2015, the Qingdao Chengyang District Rail Tram Project, the Company's first EPC project, was successfully delivered for operation; the estimated profit margin for the project is expected to over 13%, setting a record among similar domestic projects in terms of its short construction period, effective investment and highest operating efficiency, receiving extensive responses in the industry. The Company achieved breakthroughs in the business areas including industrial and civil construction, construction contracting and industrialization. Despite the "deep winter" in civil construction segment, the Company seized opportunities in urban utility comprehensive channel market and won the comprehensive utility channel projects in Shenyang and Liupanshui, which are pilot projects of the Ministry of Finance and Ministry of Housing and Urban-Rural Development of PRC.

The construction contracting segment performed well in the new round of bidding of Beijing subway, of which we were awarded the project regarding section 3 of Beijing line 7 east extension, Beijing rail transit security center and the integrated project of Lize Financial and Commercial District (麗澤金融商務區) underground area.

The Company's product commercialisation saw the introduction of the Company's proprietary R&D products into the market – the Company's signal system has been applied for use in the sub-line of Hunnan South Rail Tram Station in Shenyang and the rail tram in Zhuhai. In February 2015, the Company obtained the recognition of Beijing Development and Reforming Office as a recognized research center for rail transit energy saving project in Beijing and in July 2015, the Company obtained the recognition of Beijing Scientific Committee as a research center for rail structure engineering technology. The application for establishment of the first national engineering laboratory in the area of environmental-friendly and safety construction for urban rail transit, which was a joint application by the Company together with Tsinghua University, Beijing Jiatong University and Nanjing Metro Corporation, has obtained the approval of the National Development and Reform Commission for establishment as a project for assessment. Achievements of good performance results in the construction of innovative technology platform has further strengthened the solid foundation of the Company's platform on innovative technology. The platform will provide a more advantageous edge and even better terms of development for technological innovation and commercialisation in the field of environmental-friendly and safety urban rail transit construction, rail structural research and development and technique services as well as rail transit energy saving.

The Company will formulate its own "13th Five Year Plan" strategic development plan for the synergy development of the full rail transit industry chain and establish itself as a "billion dollar enterprise". We will proactively adapt to the new normal of the Chinese economy, pay attention to the policy directions brought by "Belt and Road", "Integration of the Jing-Jin-Ji Area" and the structural reform of the supply front. By adhering to the principle of "becoming a design directed urban construction integrated service provider" as our corporate vision, and by adhering to expanding design and consultancy, strengthening construction general contracting as well as by proactively developing and expanding new businesses, and led and driven by the design business and investments as the twin engines, the Company will fully exert the synergy edges of its industry chain to push forward the further upgrading of the scale and quality of the Company's corporate 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 pages 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

Exchange rate risks

The Company may be subject to various risks including fluctuations in exchange rate as the Company continuously expands its business overseas and increases its overseas operating activities. Exchange rate risk includes risk arising from transactions entered into based on foreign currencies, the difference between the exchange rates on the day of transaction and the day of settlement; risk of changes in value of overseas business due to fluctuations in exchange rate.

Countermeasures: Establish exchange rate risk prevention mechanism in each link of production and operation, pay close attention to changes of domestic and overseas financial markets and respond to risks with the adoption of financial leverage instruments. Enhance the awareness of risk prevention of relevant staff of the Company, transform operation principle and be active and take initiatives to respond to various exchange rate risks.

Risks on macro policy

The rail transit industry, which is the Company's industry, is one of fundamental industries of the Chinese national economy. Its development is subject to major influences by the state macro-economic regulation policy, industry policy and industry planning. Currently, the State encourages development of the rail transit industry, and if there is any change in the State's future economic policies, the Company's business may be adversely affected; and if the Company fails to timely adjust its operation policies, this may bring operation risk to the Company.

Countermeasures: mainly through proactive communication with related governmental authorities; through timely collection of information on national politics, economy, industry, law, environment etc, conduct research and estimates on market trends, timely adjust corporate planning and adopt measures such as establishing and developing the industry chain and synergy among industry segments, optimizing product structure and expanding new business models to tackle the risks.

Risks on market competitions

Under the new normal economic condition, China continues to expand its investment and construction in municipal infrastructure. At the same time, the sluggish condition in the civilian construction industry has led to intensification of the competitions in the urban rail transit industry of China in recent years. Many design enterprises have also participated in the rail transit industry, leading to more direct and frequent business competitions between the Company and its competitors. If the Company cannot effectively deal with the competitions, it will bring about substantial challenges to expansion of scale of the Company, which may affect the business growth of the Company, reduce the Company's level of profits and market share.

Countermeasures: through timely collection of information relating to domestic politics, economics, and competitors, proactively conduct market research to timely grasp the changes to market demands and properly implement counteractive measures in response to such changes. Meanwhile, through increasing investments in scientific research, and continuously improving the innovative ability and core competitive capability, as well as by maintaining the leadership position in market competition, increase the Company's competitive edge in the market and its market share.

Future development prospects

2016 is the first year of China's "13th Five Year Plan". Changes in the market in face of the new normal: Firstly, construction and international production cooperation brought about by the active promotion of "one Belt and one Road" and the financing supports by Asian Infrastructure Investment Bank and the Silk Road Fund; adherence to the collaborative development strategy of the Jing-Jin-Ji region and adherence to promoting the development of the Yangtze River Economic Zone. Secondly, with the steadily operating and stable domestic economy, and by the government's increased efforts in pushing forward market-oriented transformation and stimulating economic growth through building up a new model of sustainable development through new driving forces, policies relating to accelerated reform on state-owned enterprises, environmental-friendly and smart transportation as well as smart city will be implemented. These factors bring great challenges as well as opportunities for the future development of the Company. Therefore, formation of a model that combines industry chain with capital operation for a greater role and greater value in the urban rail transit industry is an important topic for the Company.

The Company will be guided by its established development plan (2016-2020) for an orderly and effective growth. Meanwhile, it will adhere to the directions of the state policy so as to seize opportunities for fully enhancing its economies of scale and development quality. The rail transit design and consultancy segment will continue to maintain its leading position by keep on raising the levels of technical skills, quality and customer services as well as the level of compensation based on performance appraisals and compensation cost control. The civil municipal construction will be supported by the rail transit design and consultancy segment for the expansion and strengthening of its relevant product lines and, by identifying appropriate opportunities in the market, to produce featured and advantageous products in this area. Construction contracting segment will strengthen project performance, focus on raising the level of project management with a view to establishing it own brand image; focus on developing and implementing new business, such as PPP and EPC. For discussion of the future development of the Company's business, please refer to the section headed "Management Discussion and Analysis" of this report.

Corporate Environmental Policy and Performance

Through technological innovation and industry leadership influence in the traditional industry in which it has an leading position, the Company engages in innovative research and development work on environmental protection and green energy saving for the rail transit industry and the building up of a research and development platform for technologies on environmental friendly and safety construction for urban rail transit as well as rail transit energy saving technologies.

The Company is subject to PRC and overseas environmental laws and regulations relating to air pollution, noise emission, hazardous substances, sewage and waste discharge and other environmental matters. It places emphasis on environmental protection and complies with requirements of GB/T 24001-2004ISO 14001:2004 environmental management system. There was no breach of environmental laws and provisions during the Year and the Company had not been subject to any administrative penalties.

Combining the actual situation of project engineering and special features at the time of implementation, the Company adopts strict supervisions and controls on construction safety, seasonal construction, emergency and flood control, labour management and environmental friendly construction. The overall production safety is stable and steady; standardized safety management and production is being fully implemented, and the Company is in compliance with environmental protection standards.

Compliance with relevant laws and regulations of major concerns

The Company has long adherence to compliance operation in accordance with laws and it strictly complies with various applicable laws and regulations of China, the relevant industry rules and listing rules for the regulation of its operations. During the Reporting Period, there was no breach of major laws and provisions and there were no penalties imposed.

The Company regards occupational health and safety as important corporate and social responsibilities and strictly adheres to the established GB/T 28001-2011/OHSAS 8001:2007 occupational health and safety management system. Pursuant to the PRC Work Safety Law, the Regulations on Work Safety Accident Reporting and Investigation and the Measures of Work Safety Permits, the Company identifies hazard sources, assesses risks and formulates control and contingency response measures. It also promotes health and safety through regular training programmes and awareness campaigns. During the Reporting Period, the Company had no fatal accidents and no property damage.

Pursuant to the provisions in [2014]1573 promulgated by National Development and Reform Commission regarding prices, other than the governmental investment projects and governmental entrusted services, the charge standards in respect of four services including initial work consultancy, engineering survey design, bidding agency and engineering supervision for construction projects have been revoked and thus the charges will be regulated subject to the market rate. These provisions have definitive effects on the determination of charges on the business of the Company. As prices are to be determined not with reference with a unified policy, and in order to follow changes in the market and industry prices, the Company has to be very updated on the market situation and impose an even higher requirement on refined management.

Material Relationship between Employees, Clients and Suppliers

Employees are the key to success for the Company. For the long term development for its staff, the Company provides a favorable working environment, has established a fair training and promotion platform, provides competitive remuneration and benefit package to its staff as well as various trainings to attract talents to join the Company.

The Company had approximately 3,937 employees, among which employees in the headquarters accounted for approximately 64%, and those in the subsidiaries accounted for 36%. The number of employees increased by 10.37% in 2015 as compared with 2014. Over 40% of the employees have worked in the Company for more than five years.

The Company has formulated training plans on annual basis and invested substantial amount of time and resources in staff training and career development with a view to encouraging employees to take part in more trainings on specific topics each year. The Company has provided various trainings for different levels of staff pursuant to laws and regulations. Meanwhile, employees are encouraged to conduct business exchange activities and the Company has organized group activities, such as poetry society and photography society, to provide platforms and opportunities for exchange among employees.

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

Events after the year end date and materially affected the Company

For the purposes of its long-term strategic development, and in October 2015, the Company has commenced the work relating to the planning and verification of the proposed issue of A-share in China, in order to further strengthen its ability to seize new development opportunities and satisfy its operation and development needs.

On 28 January 2016, the Company, at the first extraordinary general meeting in 2016, considered and approved the Supplemental Agreement to the Existing Non-competition Agreement entered into between the Company and BUCG on 29 October 2015 by adding a new provision to enable BUCG and the Company to cooperate and bid for new projects under specific limited circumstances, which otherwise the Company may not be able to obtain by itself. For details, please refer to the announcement and circular of the Company dated 29 October 2015 and 11 December 2015 respectively.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 69 of this report.

On 24 March 2016, the Board of Directors proposed the distribution of a final dividend of RMB0.0837 per share (before applicable tax) for the Year, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal for the payment of the final dividend is subject to the approval of shareholders of the Company at the 2015 annual general meeting to be held on 2 June 2016.

To determine the list of the shareholders entitled to receive the final dividend, the Company's register of members will be closed from Wednesday, 15 June 2016 to Monday, 20 June 2016, both days inclusive, during which period no transfer of H Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Monday, 20 June 2016 are entitled to receive the final dividend. In order for holders of H Shares of the Company to qualify for the payment of the final dividend, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 14 June 2016 for registration.

In accordance with Article 157 of the Articles of Association, the dividend will be declared in RMB to the shareholders of the Company. The dividend payable to holders of Domestic Shares will be paid in RMB within three months after the dividend declaration date. The dividend payable to holders of H Shares will be paid in Hong Kong dollars within three months after the dividend declaration date. The amount to be paid in Hong Kong dollars will be converted based on the average closing exchange rate between RMB and Hong Kong dollars issued by the People's Bank of China for the five business days prior to the date of approving the declaration of dividends at the 2015 annual general meeting to be held on 2 June 2016.

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 applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

WITHHOLDING AND PAYMENT OF INDIVIDUAL INCOME TAX ON BEHALF OF OVERSEAS INDIVIDUAL SHAREHOLDERS

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Tax Notice, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- For individual holders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend. If relevant individual holders of H Shares would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders please submit in time a written letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual holders of H Shares in the distribution of the final dividend; and

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual holders of H Shares in the distribution of the final dividend.

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

Details of the Directors of the Company during the financial year ended 31 December 2015 are set out from pages 20 to 26 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHANGES OF DIRECTORS

Mr. Xu Jianyun tendered his resignation as a non-executive Director of the Company on 10 February 2015 due to a change of job assignments, which took effect on the same day. For details, please refer to the announcement issued by the Company on 11 February 2015.

Mr. Zhang Jie tendered his resignation as a non-executive Director and a member of the Audit Committee of the Company on 26 October 2015 due to a change of job assignments. The resignation was to take effect upon the approval of the appointment of a new non-executive director to fill the vacancy following his resignation. At the Board meeting on 29 October 2015, the Board considered and passed the resolution on the change of Director and agreed to nominate Mr. Guan Jifa as a non-executive Director of the Company to fill the vacancy following the resignation of Mr. Zhang Jie. The Board also resolved that, upon the effective date of appointment of Mr. Guan Jifa as a non-executive Director, he was to be appointed as a member of the audit committee. The term of his appointment should be until the expiry date of the terms of office of the members of the current session of the Board. For details, please refer to the announcement issued by the Company on 29 October 2015.

The Board resolved the nomination of a non-executive Director of the Company on 9 December 2015, which agreed to nominate Ms. Guo Yanhong as the non-executive Director of the Company, to fill the vacancy arising from the resignation of Mr. Xu Jianyun. The term of her appointment should be until the expiry date of the terms of office of the members of the current session of the Board. For details, please refer to the announcement issued by the Company on 9 December 2015.

At the first 2016 extraordinary general meeting held on 28 January 2016, Mr. Guan Jifa and Ms. Guo Yanhong were appointed as the non-executive Directors respectively.

CHANGE OF SUPERVISOR

Mr. Li Wenhong tendered his resignation as shareholder representative Supervisor on 21 October 2015 due to a change of job assignment. On 29 October 2015, the Board of Supervisors of the Company considered and approved the proposal to appoint Mr. Fu Yanbing as a shareholder representative Supervisor of the Company to fill the vacancy arising from the resignation of Mr. Li Wenhong. For details, please refer to the announcement issued by the Company on 29 October 2015.

At the first 2016 extraordinary general meeting held on 28 January 2016, Mr. Fu Yanbing was appointed as the shareholder representative Supervisor.

CHANGES OF SENIOR MANAGEMENT

Mr. Liao Guocai tendered his resignation as the deputy general manager of the Company on 18 August 2015 due to a change of job assignment.

The Board considered and passed the resolution for the appointment of chief economist of the Company on 31 December 2015, and approved the appointment of Mr. Liu Li as the chief economist of the Company.

Save as disclosed above, there was no change of other Directors, Supervisors and senior management of the Company for the year ended 31 December 2015.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the Reporting Period, none of the Directors or Supervisors had any material interest, directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any its subsidiaries was a party.

THE INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, none of the Directors, Supervisors and chief executive of the Company had interests or held short positions in the shares of the Company and/or the shares, underlying shares and/or debentures of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which are required to be recorded and kept in the register pursuant to Section 352 of the Securities and Futures Ordinance and be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance and the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2015, none of the Directors of the Company had interests in any business that competes, either directly or indirectly, with the Company's business.

PERMITTED INDEMNITY

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 existing Directors, Supervisors and senior management for the Year are set out in notes 8 and 34 to the financial statements.

For the year ended 31 December 2015, the remuneration of other senior management members by bands is set out as follows[Note]:

Remuneration Band	Number of Person
Less than or equal to RMB500,000	1
RMB500,001–1,000,000	8
RMB1,000,001–1,500,000	1

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

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2015, none of the Directors or Supervisors of the Company was entitled to acquire shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance).

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2015, to the knowledge of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under Division 2 and 3 of Part XV of the Securities and Futures Ordinance or, directly or indirectly, were interested in 5% or more of the nominal value of any class of share capital of the Company:

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	64.54%	44.87%
Beijing Infrastructure Investment Co., Ltd.[2]	Beneficial owner	87,850,942	Long position	9.93%	6.90%
Beijing Jingguofa Equity Investment Fund (Limited Partnership)[3]	Beneficial owner	46,000,000	Long position	5.20%	3.61%
Tianjin Jun Rui Qi Equity Investment Partnership (LLP)[4]	Beneficial owner	46,000,000	Long position	5.20%	3.61%

Notes:

1. BUCG, incorporated by the Beijing Municipal Government, is the sole substantial shareholder of the Company (within the meaning of the Hong Kong Listing Rules).

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

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

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

H SHARES

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Beijing Capital Group Ltd.	Interest of controlled corporations[1]	84,333,000	Long position	21.74%	6.63%
FMR LLC	Interest of controlled corporations[2]	29,071,000	Long position	7.49%	2.28%
Beijing Enterprises Group Company Limited	Interest of controlled corporations[3]	28,111,000	Long position	7.25%	2.21%
CSR Group	Interest of controlled corporations[4]	26,222,000	Long position	6.76%	2.06%
Ameriprise Financial, Inc.	Interest of controlled corporations[5]	19,956,000	Long position	5.14%	1.57%
Rays Capital Partners Limited[6]	Investment Manager	19,691,000	Long position	5.08%	1.55%

Notes:

1. Beijing Capital Group Ltd. held interests in 56,222,000 H Shares through a number of its controlled corporations, including Beijing Capital Land Ltd. and Capital Queen Limited, and also held interests in 28,111,000 H Shares through its controlled corporations, Beijing Capital Co., Ltd. and Beijing Capital (Hong Kong) Limited.

2. FMR LLC held interests in 22,972,000 H Shares, 322,000 H Shares, 2,874,000 H Shares and 2,903,000 H Shares through a number of its controlled corporations, including FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FMR CO., INC, FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY (formerly known as PYRAMIS GLOBAL ADVISORS TRUST COMPANY) and FIAM LLC (formerly known as PYRAMIS GLOBAL ADVISORS, LLC), respectively.

3. Beijing Enterprises Group Company Limited held interests in 28,111,000 H Shares through its controlled corporation, Beijing Enterprises Group (BVI) Company Limited.

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

5. Ameriprise Financial, Inc. held interests in 17,342,000 H Shares through its controlled corporation, Columbia Management Investment Advisers, LLC, and also held interests in 2,614,000 H Shares through a number of controlled corporations, including Threadneedle Asset Management Limited.

6. Each of Ruan David Ching-chi and Yip Yok Tak Amy held 50% of equity interest in Rays Capital Partners Limited. Each of the above individuals was deemed to have interests in the same number of Shares as Rays Capital Partners Limited.

SHARE CAPITAL

The Company's share capital structure as at 31 December 2015 was as follows:

Class of Shares	Number of Shares as at 31 December 2015	Percentage of number of shares in issue as at 31 December 2015
Domestic Shares	884,733,000	69.52%
Overseas listed foreign invested shares (H Shares)	387,937,000	30.48%
Total	1,272,670,000	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 2015.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

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

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2015, the Company had distributable retained earnings of RMB721,457,000, excluding proposed 2015 final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest major customers of the design, survey and consultancy business of the Group accounted for 14.65% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 5.44% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 45.49% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 14.70% of the Group's total sales. To the best knowledge of the Directors of the Company, none of the Directors, Supervisors of the Company and their respective associates or any shareholders holding more than 5% interest in the share capital of the Company has any interest in the above major customers.

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

SUBSIDIARIES AND ASSOCIATES

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

On 26 May 2015, the Company and Ningbo Chancheng Investment Management Co., Ltd. (寧波產城投資管理有限公司) established Ningbo Zhongchengyun Modern Transportation Operation Corp. Ltd (寧波中城運現代交通運營股份有限公司). Each of the Company and Ningbo Chancheng Investment Management Co., Ltd. holds equity interest as to 55% and 45%, respectively, in the entity. The entity is a non-wholly owned subsidiary of the Company. Its registered capital is RMB10 million and its business scope includes "urban public transportation operation, maintenance and management services; research and development of urban public transportation product; urban public transportation technological consultancy and services; urban public transportation system integration; urban public transportation investment and construction; smart city information system integration; urban intelligent construction services."

On 12 May 2015, the Company and Anqing Urban Construction Development investment Group Co., Ltd. (安慶市城市建設發展投資(集團)有限公司) established Anhui Jingjian Capital Construction Investment Co., Ltd. (安徽京建投資建設有限公司). Each of the Company and Anqing Urban Construction Development investment Group Co., Ltd. holds equity interest as to 88% and 12%, respectively, in the entity. The entity is a non-wholly owned subsidiary of the Company. Its registered capital is RMB500 million and its business scope includes "Construction project investment, construction and operation maintenance services; advertising design, production and publication; parking space operation and service business"

On 20 August 2015, the Company, Zhongjieneng Engineering Technology Research Institute Co., Ltd. (中節能工程技術研究院有限公司) and Beijing Qiansi Electric Co., Ltd. (北京千駟電氣有限公司) established 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). Each of the Company, Zhongjieneng Engineering Technology Research Institute Co., Ltd. and Beijing Qiansi Electric Co., Ltd. holds equity interest as to 60%, 30% and 10%, respectively, in the entity. The entity is a non-wholly owned subsidiary of the Company. Its registered capital is RMB10 million and its business scope includes "technological development and services, technological consultancy, technological transfer in respect of rail transit energy saving; computer system services, sales of machinery and equipment, computer, software and auxiliary equipment; engineering survey and design; authentication services".

On 21 September 2015, the Company established Beijing Urban Rail Transit Construction Engineering Co., Ltd. (北京城建軌道交通建設工程有限公司) as a wholly-owned subsidiary of the Company and holds 100% equity interest in the entity. Its registered capital is RMB300 million and its business scope includes "construction contracting, professional contracting, labour subcontracting; construction and engineering project management; engineering survey and design; internet information service and business; engineering consultancy; road freight transport; installation of construction machinery and equipment; sales of steel and wood products, building machinery, steel materials, machinery and equipment, building materials (not for retail), chemical products (excluding hazardous chemicals) and woods; warehouse services (not for hazardous chemicals, cotton, cereal and other agricultural products); technological consultancy, technological services, technological development and technological transfer (excluding promotion of agricultural technology); product imports and exports, technology imports and exports, agency imports and exports; investment management."

CONNECTED TRANSACTIONS

The Company has conducted its connected transactions in strict compliance with the Hong Kong Listing Rules and the Administrative Measures on Connected Transactions. The Company's connected transactions are mainly entered into with its controlling shareholder BUCG and its associates.

In June 2014, based on the analyses of the types and basic components of future possible continuing connected transactions with BUCG and its associates, the Company categorized the nature of such connected transactions into two categories, property and land leasing and integrated services, in preparation for the offering and listing of H Shares. The Company also prepared the Property and Land Leasing Framework Agreement and the Integrated Services Framework Agreement and set the annual caps for the connected transactions from 2014 to 2016 under each of the framework agreements. After consideration and upon approval by the third meeting of the first session of the Board of Directors and the second extraordinary general meeting in 2013 of the Company, the Company entered into the framework agreements with BUCG on 18 June 2014 to regulate such transactions.

On 28 January 2016, the first extraordinary general meeting in 2016 of the Company considered and approved the Supplemental Agreement to the Integrated Services Framework Agreement entered into between the Company and BUCG on 9 December 2015, and revised the annual cap of the revenue transactions thereunder for the financial year ending 31 December 2016. For details, please refer to the announcement and circular of the Company dated 9 December 2015 and 11 December 2015 respectively.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the continuing connected transactions between the Company, BUCG and its associates were entered into in accordance with the relevant framework agreements signed by the Company and BUCG. Neither the transaction amount nor the terms of the transaction were beyond the scope covered by the agreements. The relevant terms of the framework agreements and the implementation of the agreements during the Reporting Period are summarized as follows:

(1) Property and Land Leasing Framework Agreement entered into by the Company and BUCG

Such agreement is valid for a term of 10 years commencing from 18 June 2014 and is subject to renewal.

As at 31 December 2015, the Group incurred expenditure for lease of properties and land from BUCG, its subsidiaries and/or associates. The annual cap for such expenditure for 2015 was RMB18 million, whereas the actual amount incurred was RMB13.62 million.

(2) Integrated Services Framework Agreement entered into by the Company and BUCG

Pursuant to the Integrated Services Framework Agreement, during the term of the agreement, BUCG has agreed to provide the Group with the engineering construction related services, training services and other services required by the Group for its operation on terms no less favourable than those offered by BUCG to independent third parties in similar circumstances. The Group has agreed to provide BUCG with services relating to construction design, survey and consultancy, training services and other services required by BUCG for its operation. Such agreement is valid for a term of three years commencing from 18 June 2014 and is subject to renewal.

As at 31 December 2015, (1) in respect of the revenue generated by the provision of services by the Group to BUCG, its subsidiaries, and/or associates, the annual cap in 2015 for such transactions was RMB30 million, whereas the actual revenue was RMB28.25 million; (2) in respect of the expenditure incurred for the provision of services by BUCG, its subsidiaries and/or associates to the Group, the annual cap in 2015 for such transactions was RMB164 million, whereas the actual expenditure incurred was RMB103.61 million.

The table below sets out the annual caps for the continuing connected transactions in 2015 and the actual amounts of such continuing connected transaction of the Group in 2015. For the year ended 31 December 2015, the continuing connected transactions of the Group were calculated and aggregated as shown as follows:

	2015 Actual amount (RMB million)	Annual cap (RMB million)
1. Property and Land Leasing Framework Agreement: Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries and/or associates	13.62	18.00
2. Integrated Services Framework Agreement:		
(1) Revenue generated by the Group from providing services to BUCG, its subsidiaries, and/or associates	28.25	30.00
(2) Expenditure incurred by BUCG, its subsidiaries and/or associates for provision of services to the Group	103.61	164.00

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

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

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

(c) The transactions were entered into 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.

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 complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in the Reporting Period.

ONE-OFF CONNECTED TRANSACTIONS

On 29 October 2015, the Company and BUCG entered into the Supplemental Agreement to the Existing Non-competition Agreement, by adding a new provision to the agreement to enable BUCG and the Company to cooperate and bid for new projects under specific limited circumstances, which otherwise the Company may not be able to obtain by itself. According to Chapter 14A of the Hong Kong Listing Rules, amending the Existing Non-competition Agreement by entering into the Supplemental Agreement to the Existing Non-competition Agreement between the Company and BUCG constitutes a connected transaction and shall comply with the requirements of reporting, announcement and approval by the independent shareholders under the Hong Kong Listing Rules. On 28 January 2016, the first extraordinary general meeting in 2016 of the Company considered and approved such transaction. For details, please refer to the announcement and circular of the Company dated 29 October 2015 and 11 December 2015 respectively.

NON-COMPETITION AGREEMENT

BUCG stated that as of 31 December 2015, it was not in breach of its undertakings under the Non-Competition Agreement entered into with the Company on 24 January 2014. The independent non-executive Directors of the Company also reviewed the compliance of the Non-Competition Agreement by BUCG during the year 2015, and were of the view that BUCG had not breached the requirements of the Non-Competition Agreement.

On 28 January 2016, the first extraordinary general meeting in 2016 of the Company considered and approved the Supplemental Agreement to the Existing Non-competition Agreement entered into between the Company and BUCG on 29 October 2015. For details, please refer to the announcement and circular of the Company dated 29 October 2015 and 11 December 2015 respectively.

CORPORATE GOVERNANCE

Details of corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, throughout the year ended 31 December 2015 and up to the date of this report, the Company maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Hong Kong Listing Rules.

USE OF PROCEEDS DURING THE REPORTING PERIOD

As at 31 December 2015, of the total proceeds raised by the Company, RMB606.87 million had been used, of which RMB320.06 million was utilized in supplementing the capital in design, survey and consultancy projects as well as construction contracting projects of the urban rail transit business; RMB182.79 million was utilized for funding, through self-development, cooperation or acquisition, the enhancement of design and technological research and development efforts in urban rail transit business and the promotion of technology commercialization; RMB30.65 million was utilized for funding the enhancement of engineering capability in relation to the urban rail transit business; RMB2.80 million was utilized for funding the establishment of information-based system; RMB70.57 million was utilized for supplementing the working capital, while the remaining balance are placed at banks as deposits.

The use of proceeds by the Company was in line with the information disclosed in the prospectus and no change was made. In 2016, the balance of the proceeds will be put into use successively by the Company in accordance with the operation and development strategies of the Company combined with the conditions of the capital market.

On 24 March 2016, the Board considered and approved the authorization to any one of the executive Directors to make appropriate adjustments to the ratio of use within the scope of the use of proceeds according to the actual needs thereof. The adjusted ratio of use is a upward or downward adjustment of no more than 5% of the original ratio of use (i.e. the adjusted ratio of use would be no more than (X+5)% and no less than (X-5)% with the original ratio of use being X% of an item). No adjustment is made to the scope of use and the ratio of use in supplementing the working capital for general corporate purposes should remain unchanged (i.e. not exceeding 10% of the total net proceeds). For details, please refer to the announcement of the Company dated 24 March 2016.

AUDITORS

The financial statements for the Year have been audited by Ernst & Young. In the forthcoming 2015 annual general meeting, a resolution for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2016 will be proposed. They were also the auditors of the Company for at the time of listing and public offering.

MANAGEMENT CONTRACTS

No contracts concerning 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 2015.

OTHERS

As disclosed in the prospectus of the Company dated on 25 June 2014, a total of four contracts of general contracting of engineering entered into by BUCG shall be transferred to the Company, including one project in Beijing, two projects in Guangzhou and one project in Urumqi. During the Reporting Period, the Company completed the transfer of three of the projects and the transfer of one of the projects in Guangzhou is still in progress.

By order of the Board
Wang Liping
Chairman
Beijing, 24 March 2016

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders,

During the year of 2015, all members of the Board of Supervisors performed their supervisory duties diligently in accordance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors in a stringent manner, strictly abided by the principle of good faith and continued to conduct their work on supervision over meetings and focused on supervision over financial matters, internal control and compliance, and therefore effectively facilitated the efficient operation of the Company's corporate governance and proactively protected the interests of the shareholders, the Company and its employees.

MEETINGS OF THE BOARD OF SUPERVISORS

During the Year, the Board of Supervisors convened two meetings in total in March and October 2015, respectively, at which the resolutions were considered and unanimously approved, including the Work Report of the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited for the year 2014, Proposal for Consideration of Resolutions at the 12th Meeting of the First Session of the Board and Proposal for Change of Supervisor.

WORK OF THE BOARD OF SUPERVISORS

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2015 to monitor the procedures and validity undertaken leading to the convening of and resolutions made during the meetings of the Board and general meetings of the Company. Through convening meetings of the Board of Supervisors and attending the meetings of the Board and the general meetings, the Board of Supervisors performed its duties of supervising and reviewing the major operating activities of the Company and the corporate governance structure as well as the performance of Directors and senior management, and provided suggestions to the Board.

The Board of Supervisors focused on supervision over financial matters, internal control and compliance, attended to the hot issues that existed in the Company's operations and management, and gave advices and suggestions to the management in respect of operation and management strengthening and risk control from the perspective of healthy and sustainable development of the Company.

The Board of Supervisors further monitored and regulated the corporate governance structure of the Company through its participation, and supervised and urged the Company to run its business according to laws and regulations. The employee representative Supervisors fully expressed employees' intentions and requests in the supervision process, and earnestly protected employees' legal rights and interests.

CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS

Mr. Li Wenhong tendered his resignation as a shareholder representative Supervisor on 21 October 2015 due to change of job assignments. On 29 October 2015, after consideration and approval at the fifth meeting of the first session of the Board of Supervisors, it agreed to nominate Mr. Fu Yanbing as a shareholder representative Supervisor to fill the vacancy arising from the resignation of Mr. Li Wenhong.

Mr. Fu Yanbing was appointed as a shareholder representative Supervisor on 28 January 2016 following the consideration and approval at the first extraordinary general meeting of the Company in 2016.

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

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

The Company operates compliantly and legally. The Directors and senior management of the Company had loyally performed their duties set forth in the Articles of Association with diligence and in good faith, and had diligently 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 reports are authentic and complete. The reviewed financial statements for the interim period of 2015 and the audited annual financial statements for 2015 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. Accounting treatments have been applied consistently. The financial accounts are prepared regularly with clear records and complete information. The financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries.

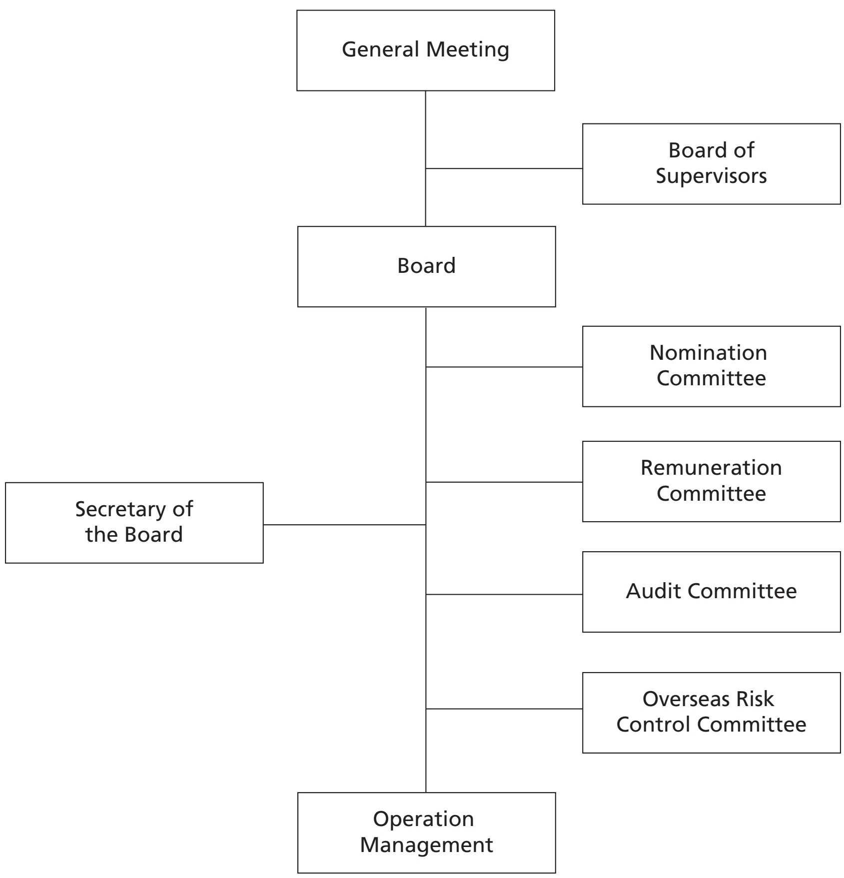
The Board of Supervisors is fully confident in the development and prospect of the Company. In 2016, the Board of Supervisors will effectively implement its supervisory duties and enhance its supervision over the Company's compliance with laws and regulations in respect of its operations and the Company's establishment of internal control systems based on its work plan for the Year. The Board of Supervisors will also continue to perform its supervisory duties in accordance with the relevant provisions of the Company Law and the Articles of Association, regard maintaining effective operation and sound development of corporate governance of the Company as its responsibilities, proactively broaden the thinking of work, strengthen its supervision, constantly improve its performance capabilities, earnestly safeguard the interests of the Company, its shareholders and employees and diligently perform all its duties.

Chairman of the Board of Supervisors
Yao Guanghong
Beijing, 24 March 2016

CORPORATE GOVERNANCE REPORT

The Company strictly complies with various applicable regulatory laws, rules and regulations as well as the Articles of Association to standardize its operation. During the Reporting Period, under the guidance of the regulatory documents such as the Articles of Association, the Rules of Procedure for the General Meeting of Beijing Urban Construction Design & Development Group Co., Limited, the Rules of Procedure for the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Audit Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Remuneration Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Nomination Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Overseas Risk Control Committee of Beijing Urban Construction Design & Development Group Co., Limited, the Administrative Measures on Information Disclosure of Beijing Urban Construction Design & Development Group Co., Limited, the Administrative Measures on Connected Transactions of Beijing Urban Construction Design & Development Group Co., Limited, the Company continuously strengthened its internal control capabilities and supervision capabilities and enhanced its corporate governance standard through the coordination of general meetings, the Board and the relevant specialized committees of 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 one general meeting in total and submitted 7 resolutions to the general meeting. Seven Board meetings were convened, at which 28 resolutions were considered and approved.

The Board meets regularly at least four times a year, and convenes extraordinary meetings when necessary. Notices and meeting materials for regular meetings are given to all Directors, Supervisors and the general manager at least 14 days prior to the meetings. Such extraordinary board meetings are not subject to the notice period. However, reasonable notices shall be given to all Directors, Supervisors and the general manager. All Directors are entitled to propose resolutions 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 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	22 October 2013 to 21 October 2016
Mr. Li Guoqing	Executive Director	22 October 2013 to 21 October 2016
Ms. Wang Liping	Non-executive Director, Chairman	22 October 2013 to 21 October 2016
Mr. Xu Jianyun	Non-executive Director (resigned)	22 October 2013 to 10 February 2015
Mr. Chen Daihua	Non-executive Director	22 October 2013 to 21 October 2016
Mr. Wang Hao	Non-executive Director	13 November 2014 to 21 October 2016
Mr. Zhang Jie	Non-executive Director (resigned)	13 November 2014 to 28 January 2016
Mr. Su Bin	Non-executive Director	22 October 2013 to 21 October 2016
Mr. Kong Lingbin	Non-executive Director	22 October 2013 to 21 October 2016
Mr. Tang Shuchang	Non-executive Director	13 November 2014 to 21 October 2016
Mr. Zhang Fengchao	Independent non-executive Director	16 December 2013 to 21 October 2016
Mr. Wang Dexing	Independent non-executive Director	13 November 2014 to 21 October 2016
Mr. Yim Fung	Independent non-executive Director	16 December 2013 to 21 October 2016
Mr. Sun Maozhu	Independent non-executive Director	16 December 2013 to 21 October 2016
Mr. Liang Qinghuai	Independent non-executive Director	16 December 2013 to 21 October 2016

Changes in the Board members during the period from 1 January 2015 to the date of this report are as follows:

Mr. Xu Jianyun resigned as the non-executive Director on 10 February 2015 due to change of job assignments. Mr. Zhang Jie resigned as the non-executive Director and the member of the Audit Committee on 28 January 2016 due to change of job assignments.

At the first extraordinary general meeting of 2016 convened on 28 January 2016, Ms. Guo Yanhong was appointed as the non-executive Director so as to fill in the vacancy due to resignation of Mr. Xu Jianyun while Mr. Guan Jifa was appointed as the non-executive Director so as to fill in the vacancy due to resignation of Mr. Zhang Jie. Meanwhile, the appointment of Mr. Guan Jifa as the member of the Audit Committee of the Company took effect from 28 January 2016.

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 issue 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 of the Board of the Company. It also appoints or removes the vice general manager, chief accountant and other senior management of the Company according to the nomination of the general manager and determines their remuneration matters. It is also responsible for determining 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, 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. They perform their duties within the scope authorized by the Board and are responsible for their performance under the review and supervision of the Board and the Board of Supervisors.

CHAIRMAN AND GENERAL MANAGER

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

DIRECTORS TRAINING

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

During the Reporting Period, the Directors of the Company emphasized on updating their specialized knowledge and techniques to meet with the requirement of the development of the Company. The Company also arranged training for Directors on "Connected Transactions and Information Disclosures under the Hong Kong Listing Rules", "General Introduction on the Capital Market", "Corporate Governance of the Listed Companies and the Legal Liabilities of the Supervisors, Directors and Senior Management" and "Accounting Compliance and Internal Control",etc.

Director	Corporate governance	Laws and regulations	Business management
Executive Directors			
Mr. Wang Hanjun	✓	✓	✓
Mr. Li Guoqing	✓	✓	✓
Non-executive Directors			
Ms. Wang Liping	✓	✓	✓
Mr. Xu Jianyun (resigned)	✓	✓	✓
Mr. Chen Daihua	✓	✓	✓
Mr. Wang Hao	✓	✓	✓
Mr. Zhang Jie (resigned)	✓	✓	✓
Mr. Su Bin	✓	✓	✓
Mr. Kong Lingbin	✓	✓	✓
Mr. Tang Shuchang	✓	✓	✓
Independent non-executive Directors			
Mr. Zhang Fengchao	✓	✓	✓
Mr. Wang Dexing	✓	✓	✓
Mr. Yim Fung	✓	✓	✓
Mr. Sun Maozhu	✓	✓	✓
Mr. Liang Qinghuai	✓	✓	✓

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened one general meeting and submitted 7 resolutions to the general meeting. Seven Board meetings were convened in total, at which 28 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	6	6	0
Mr. Li Guoqing	6	5	1
Ms. Wang Liping	7	7	0
Mr. Xu Jianyun[Note]	0	0	0
Mr. Chen Daihua	7	7	0
Mr. Wang Hao	7	4	3
Mr. Zhang Jie	7	5	2
Mr. Su Bin	7	5	2
Mr. Kong Lingbin	7	7	0
Mr. Tang Shuchang	7	7	0
Mr. Zhang Fengchao	7	6	1
Mr. Wang Dexing	7	7	0
Mr. Yim Fung	7	5	2
Mr. Sun Maozhu	7	6	1
Mr. Liang Qinghuai	7	7	0

Note: From 1 January 2015 to the resignation date of Mr. Xu Jianyun, the Board did not convene any meeting.

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

- the convening of one general meeting and submission of 7 resolutions to the general meeting including the audited consolidated financial statements for 2014 and its summary, the Report of the Board of Directors for 2014, the report of final financial accounts for 2014, the investment plans for 2015, the profits distribution plan and the dividend declaration proposal for 2014 and reappointment of auditors, all of which were approved at the general meeting;

- the convening of seven Board meetings and consideration and approval of 28 resolutions including the profits distribution plan and the dividend declaration proposal for 2014, the completion of investments in 2014 and the investment plans for 2015, the interim results announcement and interim report of the Company for 2015, the investment on Outer Ring North Road Project in Anqing City and the establishment plans of 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).

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 according to the conditions of operating activities, the scale of assets and shareholding structure of the Company, make recommendations to the Board on any proposed changes, review the independence of the independent non-executive Directors, study the selection criteria and procedures of Directors and senior management and make recommendations to the Board. It is also responsible for seeking qualified candidates for Directors and senior management in an extensive way, conducting investigation on the candidates of Directors and senior management and making recommendations on the appointment, reappointment and succession of Directors and senior management. It also needs to conduct investigation on other senior management candidates proposed to be appointed by the Board 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 considered the independence of such candidates. To achieve diversity of the Board, the Board has formulated and passed the board diversity policy, required the selection of the members of the Board on the basis of a range of diversity perspectives, and took into account the consolidated factors including skills, experience, independence, knowledge on the business of the Company, the composition of various factors (including gender and age) and other factors relating to the operation efficiency of the Board. The Nomination Committee is responsible for supervising the implementation of such policy.

During the Year, the Nomination Committee held two meetings in total to consider and pass the resolutions of nominating Mr. Guan Jifa, Ms.Guo Yanhong as the candidates for Directors and Mr. Liu Li as a candidate for the chief economist of the Company, and reviewed the structure and composition of the Board. The attendance record of the meetings of the members of the Nomination Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Fengchao	Chairman of the Nomination Committee Independent non-executive Director	2	2	0
Ms. Wang Liping	Non-executive Director	2	2	0
Mr. Liang Qinghuai	Independent non-executive Director	2	2	0

REMUNERATION COMMITTEE

The major duties and responsibilities of the Remuneration Committee of the Company are: to formulate the general plan or proposal for the remuneration of the Directors and senior management and individual remuneration packages according to the main scope, duties and responsibilities, and importance of the management positions of the Directors and senior management as well as the remuneration level of their counterparts in other related enterprises, and make recommendations to the Board; to review the performance of duties of the Directors (non-executive 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 or 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 and pass 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 meetings of the members of the Remuneration Committee is as follows:

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

AUDIT COMMITTEE

The major duties and responsibilities of the Audit Committee of the Company are: to recommend the engagement or change of the external audit firm; to 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 supervise the effectiveness of the internal audit function; 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 system of the Company and express opinions and make recommendations in respect of the soundness and improvement of the internal control system of the Company; to supervise the internal control and risk management systems of the Company, and to study the important investigation results and response from the management in respect of the matters of internal control; to discuss the internal control system of the Company with the management; to give opinions and make recommendations on the appraisal and change of the competent person of the internal audit department of the Company; to review the letters given to the management by the external auditors, evaluate if the arrangement of allowing its employees to report on the violations in aspects of the financial report, internal control or others or lodging complaints thereon is comprehensive, and ensure the Company has appropriate arrangements for conducting fair and independent investigation and follow-ups in respect of the related matters; 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 pass the resolutions in respect of the audited result of 2014 annual report, the result of review on 2015 interim report and the review on the audit plan for 2015. 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. Liang Qinghuai	Independent non-executive Director	3	2	1
Mr. Zhang Jie	Non-executive Director	3	2	1

EXTERNAL AUDITORS

In 2015, the Company should pay RMB3.15 million to external auditors in relation to auditing services, which included the payments on auditing the annual financial report of 2015 and reviewing the interim financial report of 2015. In 2015, the Company should pay HK$26,500 to external auditors in relation to non-auditing services.

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 with 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.

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

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Ms. Wang Liping	Chairman of the Overseas Risk Control Committee, Non-executive Director	1	1	0
Mr. Wang Hanjun	Executive Director	1	1	0
Mr. Li Guoqing	Executive Director	1	1	0

INTERESTS HELD BY THE DIRECTORS AND SECURITIES TRANSACTIONS

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

The Company adopted the Model Code as the code for securities transactions 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 2015, 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.

INTERNAL CONTROL

The Board is responsible for maintaining a steady, proper and effective internal control system for the Group to safeguard its assets. The Board reviews the effectiveness of the internal control system of the Group annually through the Audit Committee.

The Company has established a legal audit department which acts as a daily operational office of the Audit Committee of 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 and is responsible for organizing the internal audit to perform audit responsibilities.

Due to the inherent limitations of the internal control system, the establishment of the Group's internal control system is for the purpose of managing potential risks rather than eliminating all the risks, which is impossible to achieve. Therefore, the internal control system can only provide a reasonable assurance, rather than an absolute assurance, for the Group to achieve its operational targets. Likewise, it is impossible for the internal control system to completely eliminate all material inaccurate statements made or any loss caused to the Group.

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 supervise 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 statements, business reports and any plans for profit distribution) to be submitted by the Board of Directors 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.

The members of the Board of Supervisors of the Company comprise five Supervisors assumed by the shareholders' representatives, two independent Supervisors and four Supervisors assumed by employee representatives, and a total of 11 Supervisors. During the Year, the Board of Supervisors held two meetings in total and considered and passed 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 2015 to the date of this report, the change of the members of the Board of Supervisors is as follows:

Mr. Li Wenhong tendered his resignation as a shareholder representative supervisor on 21 October 2015 due to change of job assignments.

Mr. Fu Yanbing was appointed as a shareholder representative supervisor on 28 January 2016 following the consideration and approval at the first extraordinary general meeting of the Company in 2016.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

All the Directors of the Company acknowledged 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 training 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. During the Year, the Company convened one annual general meeting in total, at which seven resolutions were considered and approved. The following is the attendance record of the general meeting of the Directors:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Wang Hanjun[note1]	1	0
Mr. Li Guoqing	1	1
Ms. Wang Liping	1	1
Mr. Xu Jianyun[note2]	0	0
Mr. Chen Daihua[note1]	1	0
Mr. Wang Hao[note1]	1	0
Mr. Zhang Jie	1	1
Mr. Su Bin	1	1
Mr. Kong Lingbin	1	1
Mr. Tang Shuchang[note1]	1	0
Mr. Zhang Fengchao	1	1
Mr. Wang Dexing	1	1
Mr. Yim Fung	1	1
Mr. Sun Maozhu	1	1
Mr. Liang Qinghuai	1	1

Notes:

1. Mr. Wang Hanjun, Mr. Chen Daihua, Mr. Wang Hao and Mr. Tang Shuchang were not able to attend the 2014 annual general meeting due to important business arrangement.

2. Mr. Xu Jianyun resigned as the non-executive Director on 10 February 2015.

RIGHTS OF SHAREHOLDERS

METHODS OF CONVENING EXTRAORDINARY GENERAL MEETINGS

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

PROCEDURES FOR PROPOSING EXTRAORDINARY RESOLUTIONS 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 resolution(s) in writing to the Board ten days prior to the general meeting. The Board shall notify other shareholders of such proposed resolution(s) by issuing the supplementary notice of the general meeting within two days after receipt of such proposal(s) and add the proposals which are within the scope of duties of the general meeting to the agenda of the general meeting for consideration. The proposed resolution(s) submitted by the shareholders shall fall within the scope of business of the Company and the scope of the duties of general meetings. The content shall not contravene any provisions of the laws and regulations and shall contain clear subjects and specific matters to be resolved.

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

Address:	5 Fuchengmen North Street, Xicheng District, Beijing, PRC
Postal Code:	100037
Telephone:	86-10-88336868
Facsimile:	86-10-88336763
E-mail Address:	ir@bjucd.com

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

During the Reporting Period, the Company continued to attach importance on 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. As such, investors can 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 2014 annual results and 2015 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 establishing and maintaining a good relationship with investors.

ARTICLES OF ASSOCIATION

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

INDEPENDENT AUDITORS' REPORT

EY 安永

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ey.com

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

We have audited the consolidated financial statements of Beijing Urban Construction Design & Development Group Co., Limited (the "Company") and its subsidiaries set out on pages 67 to 156, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**4,008,513**	3,346,278
Cost of sales	7	**(3,174,537)**	(2,592,362)
Gross profit		**833,976**	753,916
Other income and gains	5	**78,993**	27,058
Selling and distribution expenses		**(57,250)**	(60,616)
Administrative expenses		**(354,558)**	(269,867)
Other expenses		**(35,575)**	(36,249)
Finance costs	6	**(4,983)**	(2,332)
Share of profits and losses of:			
Joint ventures		**(522)**	369
Associates		**1,842**	1,479
PROFIT BEFORE TAX	7	**461,923**	413,758
Income tax expense	9	**(64,215)**	(62,838)
PROFIT FOR THE YEAR		**397,708**	350,920
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans, net of tax	28	**21,550**	(7,510)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**–**	97
Exchange differences on translation of foreign statements		**86**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**21,636**	(7,413)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**419,344**	343,507
Profit attributable to:			
Owners of the parent		**397,629**	349,817
Non-controlling interests		**79**	1,103
		397,708	350,920
Total comprehensive income attributable to:			
Owners of the parent		**419,265**	342,404
Non-controlling interests		**79**	1,103
		419,344	343,507
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	11	**0.31**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 RMB'000**	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**317,756**	275,069
Prepaid land lease payments	13	**32,646**	33,356
Intangible assets	14	**8,109**	9,713
Investments in joint ventures	15	**1,081**	1,603
Investments in associates	16	**12,771**	10,530
Available-for-sale investments	17	**8,650**	3,650
Deferred tax assets	18	**75,198**	62,857
Financial receivables	19	**585,566**	–
Trade receivables	22	**72,714**	32,028
Prepayments, deposits and other receivables	23	**482,540**	49,061
Total non-current assets		**1,597,031**	477,867
CURRENT ASSETS			
Prepaid land lease payments	13	**710**	710
Inventories	20	**49,099**	29,278
Trade and bills receivables	22	**1,513,015**	1,676,978
Prepayments, deposits and other receivables	23	**240,914**	199,927
Amounts due from contract customers	21	**1,950,383**	1,447,129
Available-for-sale investments	17	**110,000**	910,000
Pledged deposits	24	**50,333**	24,985
Cash and bank balances	24	**2,228,119**	1,944,687
Total current assets		**6,142,573**	6,233,694
CURRENT LIABILITIES			
Trade payables	25	**1,561,319**	1,438,483
Amounts due to contract customers	21	**1,254,628**	965,774
Other payables, advances from customers and accruals	26	**1,347,819**	1,402,445
Provisions for supplementary retirement benefits	28	**3,160**	5,140
Tax payable		**60,628**	173,987
Total current liabilities		**4,227,554**	3,985,829
NET CURRENT ASSETS		**1,915,019**	2,247,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,512,050**	2,725,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	27	**410,000**	–
Provisions for supplementary retirement benefits	28	**51,680**	71,320
Other payables and accruals	26	**36,632**	31,722
Total non-current liabilities		**498,312**	103,042
Net assets		**3,013,738**	2,622,690
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**1,272,670**	1,272,670
Reserves	30	**1,652,754**	1,327,285
		2,925,424	2,599,955
Non-controlling interests		**88,314**	22,735
Total equity		**3,013,738**	2,622,690

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent								
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	1,272,670	537,586	–	83,573	–	706,126	2,599,955	22,735	2,622,690
Profit for the year	–	–	–	–	–	397,629	397,629	79	397,708
Other comprehensive income for the year:									
Re-measurement gains on defined benefit plans, net of tax	–	21,550	–	–	–	–	21,550	–	21,550
Exchange differences on translation of foreign statements	–	–	–	–	86	–	86	–	86
Total comprehensive income for the year	–	21,550	–	–	86	397,629	419,265	79	419,344
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	68,500	68,500
Capital reductions from non-controlling shareholders	–	–	–	–	–	–	–	(3,000)	(3,000)
Final 2014 dividend declared	–	–	–	–	–	(93,796)	(93,796)	–	(93,796)
Appropriation to statutory surplus reserve	–	–	–	37,054	–	(37,054)	–	–	–
Transfer to special reserve (note (i))	–	–	32,383	–	–	(32,383)	–	–	–
Utilisation of special reserve (note (i))	–	–	(32,383)	–	–	32,383	–	–	–
At 31 December 2015	1,272,670	559,136*	–*	120,627*	86*	972,905*	2,925,424	88,314	3,013,738

* The reserve accounts comprise the consolidated reserves of RMB1,652,754 (31 December 2014: RMB1,327,285) in the consolidated statement of financial position as at 31 December 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2015

	Attributable to owners of the parent							
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	920,000	189,053	–	51,675	388,207	1,548,935	9,632	1,558,567
Profit for the year	–	–	–	–	349,817	349,817	1,103	350,920
Other comprehensive income/(loss) for the year:								
Re-measurement losses on defined benefit plans, net of tax	–	(7,510)	–	–	–	(7,510)	–	(7,510)
Share of other comprehensive income of associates	–	97	–	–	–	97	–	97
Total comprehensive income/(loss) for the year	–	(7,413)	–	–	349,817	342,404	1,103	343,507
Issue of H shares (note 29(i))	352,670	418,352	–	–	–	771,022	–	771,022
Share issue expenses	–	(62,406)	–	–	–	(62,406)	–	(62,406)
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	12,000	12,000
Appropriation to statutory surplus reserve	–	–	–	31,898	(31,898)	–	–	–
Transfer to special reserve (note (i))	–	–	30,290	–	(30,290)	–	–	–
Utilisation of special reserve (note (i))	–	–	(30,290)	–	30,290	–	–	–
At 31 December 2014	1,272,670	537,586	–	83,573	706,126#	2,599,955	22,735	2,622,690

\# Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

Note:

(i) In preparation of the 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 2014 and 2015 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 were fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**461,923**	413,758
Adjustments for:			
Finance costs	6	**4,983**	2,332
Foreign exchange differences, net	7	**(29,866)**	4,694
Interest income	5	**(27,084)**	(13,445)
Share of profits of associates and joint ventures		**(1,320)**	(1,848)
Gains on disposal of a joint venture	7	**–**	(47)
Gains on disposal of available-for-sale investments	7	**(18,019)**	(7,843)
Depreciation of items of property, plant and equipment	7	**34,174**	34,853
Amortisation of intangible assets	7	**2,781**	2,422
Amortisation of prepaid land lease payments	7	**710**	710
Impairment of trade receivables	7	**25,324**	20,116
Reversal of impairment of deposits and other receivables	7	**(116)**	(478)
Provision for foreseeable losses on contracts	7	**10,227**	11,803
Loss on disposal of items of property, plant and equipment, net	7	**141**	113
		463,858	467,140
Increase in inventories		**(19,821)**	(7,912)
Changes in amounts due from/(to) contract customers		**(224,628)**	172,825
Decrease/(increase) in trade and bills receivables		**161,090**	(293,719)
Increase in prepayments, deposits and other receivables		**(1,146,901)**	(15,992)
Increase in trade payables		**122,836**	57,273
(Decrease)/increase in other payables, advances from customers and accruals		**(58,733)**	111,300
Decrease in provisions for supplementary retirement benefits		**(70)**	(450)
Cash flows from operations		**(702,369)**	490,465
Interest received		**27,077**	15,137
Income tax paid		**(189,915)**	(41,633)
Net cash flows from operating activities		**(865,207)**	463,969

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment		**(44,357)**	(51,670)
Payments for acquisition of intangible assets	14	**(1,177)**	(6,266)
Purchase of available-for-sale investments		**(3,775,000)**	(2,910,000)
Addition of investment in an associate		**(900)**	–
Proceeds from disposal of items of property, plant and equipment		**279**	101
Proceeds from disposal of available-for-sale investments		**4,588,019**	2,007,843
Dividends received from associates and joint ventures		**385**	355
Proceeds from disposal of a joint venture		**–**	450
Increase in amounts due from related parties included in other receivables		**–**	(2,000)
Increase in amounts due from third parties included in other receivables		**–**	(200)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months		**390,344**	(170,739)
(Increase)/decrease in pledged deposits		**(25,348)**	2,047
Net cash flows used in investing activities		**1,132,245**	(1,130,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital reduction from non-controlling shareholders		**(3,000)**	–
Interest paid		**(4,405)**	–
Dividends paid to shareholders		**(93,796)**	–
Dividends paid to non-controlling interests		**(184)**	–
Dividends paid to BUCG and Beneficial Shareholders (i)		**–**	(75,068)
Capital contribution from non-controlling interests		**68,500**	12,000
Payments of share issue expenses		**–**	(26,324)
Proceeds from issue of H shares, net of underwriting commission		**–**	743,373
Interest-bearing bank loans		**410,000**	–
Net cash flows from financing activities		**377,115**	653,981
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**644,153**	(12,129)
Cash and cash equivalents at beginning of year		**1,469,365**	1,486,145
Effect of exchange rate changes on cash and cash equivalents		**29,623**	(4,651)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**2,143,141**	1,469,365

Note:

(i) Pursuant to the capital injection agreement in May 2013, seven strategic investors contributed cash of RMB703 million into the Company. From then on, these strategic investors became the beneficial shareholders (the "Beneficial Shareholders") of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

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.

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	RMB1,000,000	100%	–	Engineering consulting, monitoring and testing
China Metro Engineering Consulting Co., Ltd. ("中國地鐵工程諮詢有限責任公司")		The PRC/ Mainland China 27 October 2006	RMB13,340,000	56.22%	–	Rail transit engineering consulting
Beijing Urban Construction Xingjie Property Management Co., Ltd. ("北京城建興捷物業管理有限公司")		The PRC/ Mainland China 21 November 2011	RMB500,000	100%	–	Property management

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

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

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction Xinjie Consulting Co., Ltd. ("北京城建信捷軌道交通工程諮詢有限公司")		The PRC/Mainland China 2 January 2004	RMB3,000,000	60%	40%	Rail transit engineering consulting
Beijing Urban Construction Taijie Engineering Consulting Co., Ltd. ("Taijie Consulting") ("北京城建太捷工程諮詢有限責任公司")	(i)	The PRC/Mainland China 19 August 2013	RMB5,000,000	40%	–	Engineering consulting
Beijing Urban Construction Zhikong Technology Co., Ltd. ("Zhikong Technology") ("北京城建智控科技有限公司")	(ii)	The PRC/Mainland China 10 October 2014	RMB30,000,000	60%	–	Technical consulting and technical service
Beijing Urban Construction Design (Hong Kong) Co., Ltd. ("北京城建設計(香港)有限公司")		The PRC/Hong Kong 5 January 2015	HKD3,000,000	100%	–	Advisory services
Anhui Jingjian Capital Construction Investment Co., Ltd. ("Anhui Jingjian") ("安徽京建投資建設有限公司")	(iii)	The PRC/Mainland China 12 May 2015	RMB500,000,000	88%	–	Construction project investment, construction and operation maintenance
Ningbo Zhongchengyun Modern Transportation Operation Corp. Ltd. ("Ningbo Zhongchengyun") ("寧波中城運現代交通運營股份有限公司")	(iv)	The PRC/Mainland China 26 May 2015	RMB10,000,000	55%	–	Urban public transportation operation, maintenance, management and services
Beijing Urban Rail Transit Construction Engineering Co., Ltd. ("北京城建軌道交通建設工程有限公司")		The PRC/Mainland China 21 September 2015	RMB300,000,000	100%	–	Construction contracting
Rail Transit Energy Conservation Beijing Engineering Research Center Co., Ltd. ("Rail Transit Energy Conservation") ("軌道交通節能北京市工程研究中心有限公司")	(v)	The PRC/Mainland China 20 August 2015	RMB10,000,000	60%	–	Engineering services and development, consulting

* 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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

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

Notes:

(i) On 19 August 2013, Taijie Consulting was established and the Company owned directly a 40% equity interest in the entity. Since the establishment, the Company signed the shareholders' voting agreement with the other equity owners holding in aggregate 60% equity interests in Taijie Consulting, who have unconditionally and irrevocably agreed to vote unanimously with the Company. Therefore the Company is able to exercise control over Taijie Consulting. Taijie Consulting was deregistered on 19 May, 2015.

(ii) On 10 October 2014, Zhikong Technology was established by the Company and Beijing Urban Construction Installation Group Co., Ltd. ("北京城建安裝集團有限公司", "BUCIC"), which is the fellow subsidiary of the Company. The Company owned directly a 60% equity interest in the entity.

(iii) On 12 May 2015, Anhui Jingjian was established by the Company and Anqing Urban Construction Development investment Group Co., Ltd. ("安慶市城市建設發展投資（集團）有限公司"). The Company owned directly a 88% equity interest in the entity.

(iv) On 26 May 2015, Ningbo Zhongchengyun was established by the Company and Ningbo Chancheng Investment Management Co., Ltd. ("寧波產城投資管理有限公司"). The Company owned directly a 55% equity interest in the entity.

(v) On 20 August 2015, Rail Transit Energy Conservation was established by the Company, Zhongjieneng Engineering technology research institute Co., Ltd. ("中節能工程技術研究院有限公司") and Beijing Qiansi Electric Co., Ltd. ("北京千駟電氣有限公司"). The Company owned directly a 60% equity interest in the entity.

All the subsidiaries are limited liability companies.

2.1 BASIS OF PREPARATION

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 2015. 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).

2.1 BASIS OF PREPARATION (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements IFRSs 2010–2012 Cycle
Annual Improvements IFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group, as the Group does not have such defined benefit plans with contributions from employees or third parties.

(b) The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property,plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) The *Annual Improvements to IFRSs 2011–2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS *40 Investment Property:* Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not have investment property.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

The 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 amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In September 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

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

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

Categories	Annual rates
Buildings	2.3%
Machinery	6.3%
Production equipment	5%-6.9%
Motor vehicles	4.2%-11.6%
Measurement and experimental equipment	8.5%-16%
Office equipment and others	7.2%-24.5%
Leasehold improvements	2%-25%

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SERVICE CONCESSION ARRANGEMENTS

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

Consideration given by the Grantors

A financial asset (financial receivable) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the Grantor for the construction service rendered and/or the consideration paid and payable by the Group for the right to operate urban road, 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 of efficiency requirements. The financial asset (financial receivable) is accounted for in accordance with the policy set out for loans and receivables under "Investments and other financial assets" below.

Construction or upgrade services

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

Operating services

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

IMPAIRMENT OF FINANCIAL ASSETS

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Financial assets carried at amortised cost (continued)

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and 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.

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.

INCOME TAX

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX (CONTINUED)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

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

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

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

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

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

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

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

CONTRACTS FOR SERVICES

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

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

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

CONSTRUCTION CONTRACTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSTRUCTION CONTRACTS (CONTINUED)

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

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

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

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. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), 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).

The functional currency of certain overseas subsidiary is currency other than RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into RMB at the exchange rates 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.

(c) Supplementary retirement benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Retirement benefits (continued)

(c) Supplementary retirement benefits (continued)

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

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

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

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

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

Termination benefits

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

Housing fund and other social insurances

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

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

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

When the Group receives a payment during the concession period, it will apportion such payment among (i) a repayment of the financial receivables (if any), which will be used to reduce the carrying amount of the financial receivables on the statement of financial position, (ii) interest income, which will be recognised as revenue in profit or loss and (iii) revenue from operating and maintaining the urban road in profit or loss.

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.

ESTIMATION UNCERTAINTY

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

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

Cost of shield machinery is depreciated using the unit of production method (the "UOP"). The calculation of the UOP rates of depreciation can fluctuate from initial estimates. This could generally results when there are significant changes in any of the factors or assumptions used in estimating the useful shield tunneling production, notably changes in the assumptions used in determining the economic feasibility of the useful shield tunneling production. The estimation of the useful shield tunneling 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 tunneling production is performed regularly.

Percentage of completion of construction and service works

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

Estimation of total budgeted costs and cost 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 makes reference 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)

Impairment of trade receivables

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) Construction contracting – this segment engages in the provision of services relating to urban rail transit construction contracting.

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

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

Segment liabilities exclude tax payable and dividends payable to shareholders 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 2015

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,964,283	2,044,230	–	4,008,513
Intersegment sales	15,687	–	(15,687)	–
Total revenue	1,979,970	2,044,230	(15,687)	4,008,513
Segment results	334,969	75,068	1,800	411,837
Interest income	4,018	6,476	(450)	10,044
Finance costs	–	4,983	–	4,983
Profit of segments for the year	338,987	86,527	1,350	426,864
Income tax expense				(64,215)
Unallocated interest income				17,040
Unallocated gains on disposal of available-for-sale investments				18,019
Profit for the year				397,708
Segment assets	3,069,087	2,852,073	(100,024)	5,821,136
Corporate and other unallocated assets				1,918,468
Total assets				7,739,604
Segment liabilities	3,894,256	877,122	(106,140)	4,665,238
Corporate and other unallocated liability				60,628
Total liabilities				4,725,866
Other segment information:				
Share of profits and losses of:				
Joint ventures	(522)	–	–	(522)
Associates	1,842	–	–	1,842
Depreciation	22,116	12,058	–	34,174
Amortisation	3,491	–	–	3,491
Provision for				
– foreseeable losses on contracts	4,836	5,391	–	10,227
– impairment on trade receivables, deposits and other receivables	20,231	4,977	–	25,208
Investments in joint ventures	1,081	–	–	1,081
Investments in associates	12,771	–	–	12,771
Capital expenditure*	19,519	58,939	–	78,458

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,883,426	1,462,852	–	3,346,278
Intersegment sales	14,839	–	(14,839)	–
Total revenue	1,898,265	1,462,852	(14,839)	3,346,278
Segment results	318,736	83,790	(7,724)	394,802
Interest income	873	1,187	(400)	1,660
Finance costs	(1,875)	(457)	–	(2,332)
Profit of segments for the year	317,734	84,520	(8,124)	394,130
Income tax expense				(62,838)
Unallocated interest income				11,785
Unallocated gains on disposal of available-for-sale investments				7,843
Profit for the year				350,920
Segment assets	2,636,926	1,755,843	(117,837)	4,274,932
Corporate and other unallocated assets				2,436,629
Total assets				6,711,561
Segment liabilities	2,511,379	1,526,038	(122,533)	3,914,884
Corporate and other unallocated liability				173,987
Total liabilities				4,088,871
Other segment information:				
Share of profits and losses of:				
Joint ventures	369	–	–	369
Associates	1,479	–	–	1,479
Depreciation	21,937	12,916	–	34,853
Amortisation	3,132	–	–	3,132
Provision for				
– foreseeable losses on contracts	5,638	6,165	–	11,803
– impairment on trade receivables, deposits and other receivables	15,340	4,298	–	19,638
Investments in joint ventures	1,603	–	–	1,603
Investments in associates	10,530	–	–	10,530
Capital expenditure*	26,475	1,599	–	28,074

Note:

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Mainland China	**3,892,938**	3,211,656
Other countries	**115,575**	134,622
	4,008,513	3,346,278

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

(b) Non-current assets

	31 December 2015 RMB'000	31 December 2014 RMB'000
Mainland China	**384,363**	359,126

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

INFORMATION ABOUT TWO MAJOR CUSTOMERS

During the years ended 31 December 2015 and 2014, the revenue generated from two of the Group's customers accounted for over 10% of the Group's total revenue.

Year ended 31 December 2015

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	**218,100**	**589,100**	**807,200**
Customer B	**–**	**570,267**	**570,267**
	218,100	**1,159,367**	**1,377,467**

Year ended 31 December 2014

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Customer A	188,861	746,096	934,957

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue		
Design, survey and consultancy	**1,964,283**	1,883,426
Construction contracting	**2,044,230**	1,462,852
	4,008,513	3,346,278
Other income and gains		
Interest income	**27,084**	13,445
Gain on disposal of available-for-sale investments	**18,019**	7,843
Government grants	**2,797**	4,640
Foreign exchange gains	**29,866**	–
Others*	**1,227**	1,130
	78,993	27,058

Note:

* Others mainly represented gain on disposal of a joint venture and other miscellaneous gains.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest on bank loans	**4,983**	–
Other finance costs	**–**	2,332
	4,983	2,332

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cost of design, survey and consultancy		**1,336,018**	1,268,082
Cost of construction contracting		**1,838,519**	1,324,280
Total cost of sales		**3,174,537**	2,592,362
Depreciation of items of property, plant and equipment (note (a))	12	**34,174**	34,853
Amortisation of prepaid land lease payments	13	**710**	710
Amortisation of intangible assets	14	**2,781**	2,422
Total depreciation and amortisation		**37,665**	37,985
Impairment of trade receivables	22	**25,324**	20,116
Reversal of impairment of deposits and other receivables	23	**(116)**	(478)
Total impairment losses, net		**25,208**	19,638
Provision for foreseeable losses on contracts		**10,227**	11,803
Lease expenses under operating lease (note (b))		**56,189**	28,292
Auditors' remuneration		**3,150**	3,000
Employee benefit expenses (note (c))			
(excluding Directors' and supervisors' remuneration):			
Wages, salaries and allowances		**758,098**	747,317
Retirement benefit costs			
– Defined contribution retirement schemes		**96,567**	67,934
– Defined benefit retirement schemes	28(c)	**3,280**	3,510
Total retirement benefit costs		**99,847**	71,444
Welfare and other expenses		**162,273**	147,321
Total employee benefit expenses		**1,020,218**	966,082
Interest income	5	**(27,084)**	(13,445)
Government grant	5	**(2,797)**	(4,640)
Gain on disposal of available-for-sale investments	5	**(18,019)**	(7,843)
Loss on disposal of items of property, plant and equipment, net		**141**	113
Gain on disposal of a joint venture		**–**	(47)
Foreign exchange differences, net		**(29,866)**	4,694

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

(a) Depreciation of approximately RMB23,350,000 (2014: RMB26,328,000) is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

(b) Lease expenses of approximately RMB43,148,000 (2014: RMB13,261,000) are included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

(c) Employee benefit expenses of approximately RMB801,679,000 (2014: RMB762,152,000) are included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

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	
	2015	2014
	RMB'000	RMB'000
Fees	**618**	261
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,456**	1,394
– Performance-related bonuses	**3,252**	3,244
– Pension schemes	**413**	367
	5,739	5,266

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

(a) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Year ended 31 December 2015

	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)	–	246	729	70	1,045
Mr. Li Guoqing (李國慶)	–	297	672	70	1,039
	–	543	1,401	140	2,084
Non-executive Directors					
Ms. Wang Liping (王麗萍)	–	–	–	–	–
Mr. Xu Jianyun (徐賤雲) (i)	–	–	–	–	–
Mr. Chen Daihua (陳代華)	–	–	–	–	–
Mr. Su Bin (蘇斌)	–	–	–	–	–
Mr. Kong Lingbin (孔令斌)	–	–	–	–	–
Mr. Zhang Jie (張傑) (i)(ii)	–	–	–	–	–
Mr. Wang Hao (王灝) (ii)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢) (ii)	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors					
Mr. Zhang Fengchao (張鳳朝)	–	–	–	–	–
Mr. Yan Feng (閻峰)	122	–	–	–	122
Mr. Sun Maozhu (孫茂竹)	122	–	–	–	122
Mr. Liang Qinghuai (梁青槐)	122	–	–	–	122
Mr. Wang Dexing (王德興) (iii)	122	–	–	–	122
	488	–	–	–	488

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

(a) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Year ended 31 December 2015 (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Supervisors					
Ms. Mi Jianzhou (彌建洲)	–	244	424	69	737
Mr. Wang Jingang (王金剛)	–	214	432	68	714
Mr. Zhang Wei (張巍)	–	249	597	69	915
Mr. Wang Wenjiang (王文江) (iv)	–	206	398	67	671
Mr. Yao Guanghong (姚廣紅)	–	–	–	–	–
Ms. Nie Kun (聶昆)	–	–	–	–	–
Mr. Li Wenhong (李文鴻) (i)	–	–	–	–	–
Mr. Chen Rui (陳瑞)	–	–	–	–	–
Mr. Ren Chong (任崇)	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長) (v)	65	–	–	–	65
Mr. Zhang Junming (張俊明) (v)	65	–	–	–	65
	130	913	1,851	273	3,167
	618	1,456	3,252	413	5,739

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

(a) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Year ended 31 December 2014

	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)	–	245	605	62	912
Mr. Li Guoqing (李國慶)	–	292	588	62	942
	–	537	1,193	124	1,854
Non-executive Directors					
Ms. Wang Liping (王麗萍)	–	–	–	–	–
Mr. Xu Jianyun (徐賤雲) (i)	–	–	–	–	–
Mr. Chen Daihua (陳代華)	–	–	–	–	–
Mr. Hao Weiya (郝偉亞) (i)	–	–	–	–	–
Mr. Su Bin (蘇斌)	–	–	–	–	–
Mr. Kong Lingbin (孔令斌)	–	–	–	–	–
Mr. Zhang Jie (張傑) (i) (ii)	–	–	–	–	–
Mr. Wang Hao (王灝) (ii)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢) (ii)	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors					
Mr. Zhang Fengchao (張鳳朝)	–	–	–	–	–
Mr. Yan Feng (閻峰)	59	–	–	–	59
Mr. Sun Maozhu (孫茂竹)	59	–	–	–	59
Mr. Liang Qinghuai (梁青槐)	59	–	–	–	59
Mr. Wang Dexing (王德興) (iii)	20	–	–	–	20
	197	–	–	–	197

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

(a) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Year ended 31 December 2014 (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Supervisors					
Ms. Mi Jianzhou (彌建洲)	–	242	636	61	939
Mr. Wang Jingang (王金剛)	–	217	410	61	688
Mr. Zhang Wei (張巍)	–	199	636	61	896
Mr. Wang Wenjiang (王文江) (iv)	–	199	369	60	628
Mr. Yao Guanghong (姚廣紅)	–	–	–	–	–
Ms. Nie Kun (聶昆)	–	–	–	–	–
Mr. Li Wenhong (李文鴻)	–	–	–	–	–
Mr. Chen Rui (陳瑞)	–	–	–	–	–
Mr. Ren Chong (任崇)	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長) (v)	32	–	–	–	32
Mr. Zhang Junming (張俊明) (v)	32	–	–	–	32
	64	857	2,051	243	3,215
	261	1,394	3,244	367	5,266

Notes:

(i) Mr. Hao Weiya, Mr. Xu Jianyun, Mr. Li Wenhong and Mr. Zhang Jie resigned as non-executive Directors with effect from 13 November 2014, 10 February 2015, 21 October 2015 and 28 January 2016 respectively.

(ii) These persons were appointed as non-executive Directors with effect from 13 November 2014.

(iii) Mr. Wang Dexing was appointed as an independent non-executive Director with effect from 13 November 2014.

(iv) Mr. Wang Wenjiang was appointed as a supervisor with effect from 8 July 2014.

(v) These persons were appointed as independent supervisors with effect from 8 July 2014.

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

(b) FIVE HIGHEST PAID EMPLOYEES

An analysis of the headcounts of the five highest paid employees within the Group for the years ended 31 December 2015 and 2014 is as follows:

	Year ended 31 December	
	2015	2014
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	
	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,276**	1,191
Performance-related bonuses	**4,851**	4,491
Pension schemes	**348**	311
	6,475	5,993

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

	Year ended 31 December	
	2015	2014
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**4**	3

During the years ended 31 December 2015 and 2014, except for Mr. Zhang Fengchao, no Directors, supervisors, or none of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments. And no emoluments were paid by the Group to the Directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and one subsidiary 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 2013, 2014 and 2015 in accordance with the PRC Corporate Income Tax Law. Another subsidiary of the company has been also newly identified as "high new technology enterprises" in 2014 and was entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2014, 2015 and 2016. 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 2015 and 2014.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax – Mainland China	**76,556**	59,616
Deferred income tax (note 18)	**(12,341)**	3,222
Tax charge for the year	**64,215**	62,838

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 2015 and 2014 is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before tax	**461,923**	413,758
Income tax at the statutory income tax rate	**115,481**	103,440
Effect of different income tax rate for some entities	**(45,328)**	(41,093)
Tax effect of share of profits and losses of joint ventures and associates	**(330)**	(462)
Additional tax deduction for research and development expenditure	**(6,522)**	(5,118)
Expenses not deductible for tax purposes	**3,409**	6,071
Adjustments in respect of current tax of previous periods	**(2,876)**	–
Tax losses not recognised	**381**	–
Tax charge for the year at the effective rate	**64,215**	62,838

10. DIVIDENDS

The dividends during the years ended 31 December 2015 and 2014 are set out below:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Declared:		
Final dividend – RMB0.0737 (2014: Nil) per ordinary share (i)	**93,796**	–
Proposed:		
Final dividend – RMB0.0837 (2014: RMB0.0737) per ordinary share (ii)	**106,522**	93,796

Notes:

(i) At the annual general meeting held on 8 June 2015, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2014 of RMB0.0737 per share which amounted to RMB93,796,000 and was settled in September 2015.

(ii) On 24 March 2016, the board of Directors proposed the payment of a final dividend of RMB0.0837 per ordinary share in respect of the year ended 31 December 2015, based on the enlarged issued share capital of the Company of 1,272,670,000 shares. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(iii) Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Tax Notice, the Company will implement arrangements in relation to the withholding and payment of individual income tax ranging from 10% to 20% on behalf of individual holders of H Shares.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue during the years ended 31 December 2015 and 2014.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**397,629**	349,817

	Year ended 31 December	
	2015	2014
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**1,272,670**	1,067,832

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2015

	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	Total RMB'000
At 1 January 2015:								
Cost	124,160	180,755	2,022	38,804	38,647	51,451	20,484	456,323
Accumulated depreciation	(16,494)	(82,747)	(661)	(16,322)	(19,429)	(34,109)	(11,492)	(181,254)
Net carrying amount	107,666	98,008	1,361	22,482	19,218	17,342	8,992	275,069
At 1 January 2015, net of accumulated depreciation	107,666	98,008	1,361	22,482	19,218	17,342	8,992	275,069
Additions	561	58,939	16	2,195	2,802	5,878	6,890	77,281
Disposals	–	–	–	(266)	–	(154)	–	(420)
Depreciation provided during the year (note 7)	(2,865)	(10,256)	(251)	(3,620)	(3,600)	(5,260)	(8,322)	(34,174)
At 31 December 2015, net of accumulated depreciation	105,362	146,691	1,126	20,791	18,420	17,806	7,560	317,756
At 31 December 2015:								
Cost	124,721	239,694	2,038	38,801	41,449	53,866	27,374	527,943
Accumulated depreciation	(19,359)	(93,003)	(912)	(18,010)	(23,029)	(36,060)	(19,814)	(210,187)
Net carrying amount	105,362	146,691	1,126	20,791	18,420	17,806	7,560	317,756

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2014

	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	Total RMB'000
At 1 January 2014:								
Cost	124,160	180,330	1,888	34,763	31,829	46,992	19,060	439,022
Accumulated depreciation	(13,433)	(70,561)	(472)	(13,481)	(15,596)	(29,489)	(7,239)	(150,271)
Net carrying amount	110,727	109,769	1,416	21,282	16,233	17,503	11,821	288,751
At 1 January 2014, net of accumulated depreciation	110,727	109,769	1,416	21,282	16,233	17,503	11,821	288,751
Additions	–	915	134	4,583	6,818	7,511	1,424	21,385
Disposals	–	–	–	(67)	–	(147)	–	(214)
Depreciation provided during the year (note 7)	(3,061)	(12,676)	(189)	(3,316)	(3,833)	(7,525)	(4,253)	(34,853)
At 31 December 2014, net of accumulated depreciation	107,666	98,008	1,361	22,482	19,218	17,342	8,992	275,069
At 31 December 2014:								
Cost	124,160	180,755	2,022	38,804	38,647	51,451	20,484	456,323
Accumulated depreciation	(16,494)	(82,747)	(661)	(16,322)	(19,429)	(34,109)	(11,492)	(181,254)
Net carrying amount	107,666	98,008	1,361	22,482	19,218	17,342	8,992	275,069

To date, the Group is in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB29,910,000 as at 31 December 2015 (2014: RMB31,080,000). 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 2015.

13. PREPAID LAND LEASE PAYMENTS

	2015 **RMB'000**	2014 RMB'000
Carrying amount at 1 January	**34,066**	34,776
Amortisation for the year (note 7)	**(710)**	(710)
Carrying amount at 31 December	**33,356**	34,066
Portion classified as current assets	**(710)**	(710)
Non-current portion	**32,646**	33,356

14. INTANGIBLE ASSETS

Software

	2015 **RMB'000**	2014 RMB'000
At 1 January:		
Cost	**20,548**	14,282
Accumulated amortisation for the year	**(10,835)**	(8,413)
Net carrying amount	**9,713**	5,869
Cost at beginning of the year, net of accumulated amortisation	**9,713**	5,869
Additions	**1,177**	6,266
Amortisation provided during the year (note 7)	**(2,781)**	(2,422)
At 31 December	**8,109**	9,713
At 31 December:		
Cost	**21,725**	20,548
Accumulated amortisation for the year	**(13,616)**	(10,835)
Net carrying amount	**8,109**	9,713

15. INVESTMENTS IN JOINT VENTURES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of net assets	**1,081**	1,603

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

The above investments are directly held by the Company.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of the joint ventures' assets and liabilities:		
Assets	**1,120**	1,976
Liabilities	**(39)**	(373)
Net assets	**1,081**	1,603

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Share of the joint ventures' results:		
Revenue	**2,523**	4,004
Profit/(loss) for the year	**(522)**	369
Other comprehensive income/(loss)	**–**	–
Total comprehensive income/(loss)	**(522)**	369

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2015 and 2014.

16. INVESTMENTS IN ASSOCIATES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of net assets	**12,771**	10,530

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

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of the associates' assets and liabilities:		
Assets	**36,595**	29,015
Liabilities	**(23,824)**	(18,485)
Net assets	**12,771**	10,530

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Share of the associates' results:		
Revenue	**40,951**	38,207
Profit for the year	**1,842**	1,479
Other comprehensive income	**–**	–
Total comprehensive income	**1,842**	1,479

17. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Unlisted equity investments, at cost (i)	**8,650**	3,650
Other financial assets (ii)	**110,000**	910,000
	118,650	913,650
Portion classified as non-current assets	**(8,650)**	(3,650)
Current portion	**110,000**	910,000

Notes:

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

(ii) The other financial assets represented corporate wealth management products purchased by the Company from certain banks. The principals of the above products are guaranteed by banks with repayment due date within the term.

No other comprehensive income or loss was recognised in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2015 and 2014 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

18. DEFERRED TAX ASSETS

The movements in deferred tax assets during the years ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Deferred tax assets:		
At beginning of the year	**62,857**	66,079
Deferred tax charged to profit or loss during the year (note 9)	**12,341**	(3,222)
At end of the year	**75,198**	62,857

The deferred tax assets are attributed to the following items:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	**39,231**	33,952
Provision for impairment of available-for-sale investments	**325**	325
Provision for foreseeable losses on construction and service contracts	**3,272**	2,052
Accrued but not paid salaries, wages and benefits	**19,699**	18,530
Differences on depreciation of property, plant and equipment	**4,604**	4,761
Unrealised gains arising from intra-group transactions	**5,493**	3,237
Unrealised discount expenses	**1,094**	–
Tax losses	**1,480**	–
	75,198	62,857

The Group has tax losses arising in Hong Kong of RMB2,045,552 (2014: Nil) 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 RMB173,075 (2014: Nil) 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 recognise.

19. FINANCIAL RECEIVABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Receivables for service concession arrangements	**585,566**	–

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

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

At 31 December 2015, the Group's financial receivables were pledged to secure a bank loan granted to the Group (note 27).

20. INVENTORIES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Raw materials	**41,051**	27,429
Spare parts and consumables	**8,048**	1,849
	49,099	29,278

21. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Construction contracts

	31 December 2015 RMB'000	31 December 2014 RMB'000
Amount due from contract customers	**451,052**	303,633
Amount due to contract customers	**(41,053)**	(53,761)
	409,999	249,872

	31 December 2015 RMB'000	31 December 2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**16,984,834**	14,901,699
Less: Progress billings received and receivable	**(16,574,835)**	(14,651,827)
	409,999	249,872

Contracts for services

	31 December 2015 RMB'000	31 December 2014 RMB'000
Amount due from contract customers	**1,499,331**	1,143,496
Amount due to contract customers	**(1,213,575)**	(912,013)
	285,756	231,483

	31 December 2015 RMB'000	31 December 2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**11,225,573**	9,270,129
Less: Progress billings received and receivable	**(10,939,817)**	(9,038,646)
	285,756	231,483

22. TRADE AND BILLS RECEIVABLES

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

	Note	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Trade receivables		**1,769,719**	1,861,508
Impairment		**(184,340)**	(159,016)
Trade receivables, net		**1,585,379**	1,702,492
Bills receivable		**350**	6,514
		1,585,729	1,709,006
Portion classified as non-current assets	(i)	**(72,714)**	(32,028)
Current portion		**1,513,015**	1,676,978

Note:

(i) The non-current portion of trade receivables mainly represents the amounts of receivables for retentions held by customers at 31 December 2015 and 2014.

At 31 December 2015 and 2014, the amounts of retentions held by customers for contract works included in trade receivables are approximately as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Amounts of retentions in trade receivables	**68,456**	53,656

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**537,583**	650,741
3 months to 6 months	**155,319**	235,303
6 months to 1 year	**135,195**	168,596
1 to 2 years	**453,750**	483,448
2 to 3 years	**209,381**	93,043
3 to 4 years	**65,340**	52,932
4 to 5 years	**24,264**	16,839
Over 5 years	**4,547**	1,590
	1,585,379	1,702,492

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

	2015 RMB'000	2014 RMB'000
At beginning of the year	**159,016**	140,378
Impairment losses recognised	**25,324**	20,116
Impairment losses written off	**–**	(1,478)
At end of the year	**184,340**	159,016

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB64,778,000 and RMB65,355,000 with aggregate carrying amounts before provision of RMB715,606,000 and RMB470,781,000 as at 31 December 2015 and 2014 respectively.

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**692,902**	886,044

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
BUCG	**7,676**	7,783
Beneficial Shareholders and their affiliates	**543,292**	874,138
Fellow subsidiaries	**1,775**	784
A shareholder holding a 6.63% interest in the Company	**901**	–
A subsidiary of associates of BUCG	**2,000**	–
An associate	**590**	–
	556,234	882,705

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to other major customers of the Group.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Deposits and other receivables		**629,609**	133,623
Provision for impairment of deposits and other receivables		**(9,614)**	(9,730)
		619,995	123,893
Prepayments		**102,573**	124,332
Interest receivables		**704**	696
Dividend receivables		**182**	67
		723,454	248,988
Portion classified as non-current assets	(i)	**(482,540)**	(49,061)
Current portion		**240,914**	199,927

Note:

(i) The non-current portion of deposits and other receivables mainly represents reimbursed expenses on behalf of a customer and performance guarantee amounts held by customers at 31 December 2015 and 2014.

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

	2015 RMB'000	2014 RMB'000
At beginning of the year	**9,730**	13,812
Impairment losses recognised	**1,790**	1,556
Impairment losses reversed	**(1,906)**	(2,034)
Impairment losses written off	**–**	(3,604)
At end of the year	**9,614**	9,730

Included in the above provision for impairment of other receivables were provisions for individually impaired other receivables of RMB5,563,000 and RMB5,563,000 with aggregate carrying amounts before provision of RMB5,711,000 and RMB5,797,000 as at 31 December 2015 and 2014, respectively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The aged analysis of the deposits and other receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**585,781**	98,281

None of the balances except for the deposits and other receivables disclosed above is either past due or impaired, as they relate to balances for which there was no recent history of default.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
BUCG	**3,170**	2,762
Fellow subsidiaries	**1,572**	896
Associates	**23,921**	17,804
An associate of BUCG	**–**	853
Beneficial Shareholders and their affiliates	**2,137**	550
A joint venture	**1,333**	–
A subsidiary of an associate of BUCG	**2,500**	–
	34,633	22,865

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash and bank balances	**2,021,015**	1,200,970
Time deposits	**257,437**	768,702
	2,278,452	1,969,672
Less: Pledged bank balances for bidding guarantees and performance guarantees	**(50,333)**	(24,985)
Cash and bank balances in the consolidated statement of financial position	**2,228,119**	1,944,687
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(84,978)**	(475,322)
Cash and cash equivalents in the consolidated statement of cash flows	**2,143,141**	1,469,365
Cash and bank balances and time deposits denominated in:		
– RMB	**1,976,932**	1,159,132
– Other currencies	**301,520**	810,540
	2,278,452	1,969,672

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 of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

An aged analysis of the trade payables, as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 6 months	**629,237**	653,271
6 months to 1 year	**287,687**	209,034
1 to 2 years	**335,609**	301,637
2 to 3 years	**165,483**	111,651
Over 3 years	**143,303**	162,890
	1,561,319	1,438,483

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

The amounts due to fellow subsidiaries, a joint venture, associates and other related parties included in the trade payables are as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Fellow subsidiaries	**94,243**	90,793
A Joint venture	**812**	932
Associates	**2,308**	1,868
Associates of BUCG	**110,646**	136,874
	208,009	230,467

26. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Advances from customers		**754,238**	874,452
Accrued salaries, wages and benefits		**304,396**	262,112
Other taxes payable		**154,139**	107,958
Retention payables		**91,868**	93,572
Dividends payable to non-controlling interests		**–**	185
Other payables		**79,810**	95,888
		1,384,451	1,434,167
Portion classified as non-current liabilities	(i)	**(36,632)**	(31,722)
Current portion		**1,347,819**	1,402,445

Note:

(i) The non-current portion mainly represents the performance guaranteed amounts from sub-contractors and suppliers of the Group at 31 December 2015 and 2014.

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
BUCG	**3,640**	8,524
Beneficial Shareholders and their affiliates	**211,498**	256,318
Fellow subsidiaries	**6,909**	8,341
An associate	**8,415**	5,946
Associates of BUCG	**10,507**	9,662
	240,969	288,791

27. INTEREST-BEARING BANK LOANS

	31 December 2015		
	Effective interest rate	Maturity	RMB'000
Non-current:			
Secured (i)	**4.9%**	**2017–2020**	**410,000**
Denominated in:			
– RMB			**410,000**

The maturity profile of the interest-bearing bank loans as at 31 December 2015 is as follows:

	31 December 2015 RMB'000
Analysed into:	
Bank loans repayable:	
In the second year	**80,000**
In the third to fifth years, inclusive	**330,000**
	410,000

Note:

(i) The bank loan of RMB410,000,000 was secured by the right of future trade receivables for service concession arrangements.

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

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

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2015 and 2014 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅諮詢公司) using the projected unit credit actuarial valuation method.

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

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 2015 RMB'000	31 December 2014 RMB'000
At end of the year	**54,840**	76,460
Portion classified as current liabilities	**(3,160)**	(5,140)
Non-current portion	**51,680**	71,320

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

	2015 RMB'000	2014 RMB'000
At beginning of the year	**76,460**	69,400
Interest costs on benefit obligations	**2,770**	3,170
Current service costs	**510**	340
Benefits paid during the year	**(3,350)**	(3,960)
Re-measurement (gains)/losses recognised in other comprehensive income	**(21,550)**	7,510
At end of the year	**54,840**	76,460

The details of re-measurement (gains)/losses recognised in other comprehensive income of the Group during the years ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Actuarial changes arising from changes in financial assumptions	**4,890**	7,700
Liability experience adjustments	**(26,440)**	(190)
Re-measurement (gains)/losses recognised in other comprehensive income	**(21,550)**	7,510

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(c) The net expense recognised in profit or loss in respect of the provisions for supplementary retirement benefits of the Group are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest costs on benefit obligations	**2,770**	3,170
Current service costs	**510**	340
	3,280	3,510

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Discount rates	**3.00%**	3.75%

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	**2.00%**	2.00%

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Average life expectancy	**43.0 years**	41.9 years

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at the end of 31 December 2015 and 2014 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 2015				
Discount rate	**0.25**	**(1,720)**	**(0.25)**	**1,820**
Future medical expense	**0.25**	**630**	**(0.25)**	**(600)**
As at 31 December 2014				
Discount rate	0.25	(2,070)	(0.25)	2,180
Future medical expense	0.25	950	(0.25)	(900)

The sensitivity analysis above has been determined 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 2015 and 2014.

29. SHARE CAPITAL

	31 December 2015		31 December 2014	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid	**1,272,670**	**1,272,670**	1,272,670	1,272,670

29. SHARE CAPITAL (CONTINUED)

A summary of movements in the company's share capital is as follows:

	Note	Number of shares '000	Nominal value RMB'000
At 1 January 2014		920,000	920,000
H shares issue	(i)	352,670	352,670
At 31 December 2014 and 1 January 2015		1,272,670	1,272,670
At 31 December 2015		**1,272,670**	**1,272,670**

Note:

(i) The Company's shares were listed on the Stock Exchange on 8 July 2014 and in connection with the Company's global offering, 352,670,000 ordinary shares of the Company of RMB1.00 each were issued at a price of HK$2.75 per share for a total cash consideration, before expenses, of approximately HK$970 million.

The net proceeds received from the issue of 352,670,000 H shares amounted to RMB708,616,000, net of share issue expenses. Part of the net proceeds amounting to RMB352,670,000 was credited as issued share capital, and the remaining balance of the proceeds of RMB355,946,000 was credited to capital reserve. The registered capital of the Company increased from RMB920,000,000 to RMB1,272,670,000, accordingly, upon completion of the issue of the new shares.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2015 and 2014 are presented in the consolidated statements of changes in equity.

31. PLEDGE OF ASSETS

Details of the Group's assets pledged for letters of guarantee and performance guarantees and interest-bearing loans are disclosed in note 24 and note 27 to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

AS LESSEE

At 31 December 2015 and 2014, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	**42,096**	31,731
In the second to fifth years, inclusive	**99,083**	87,480
After five years	**10,633**	28,810
	151,812	148,021

33. COMMITMENTS

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**4,550**	70,106

34. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Design, survey and consultancy services provided to:		
BUCG	**19,105**	16,829
Fellow subsidiaries	**9,142**	6,533
Associates of BUCG	**–**	1,189
Beneficial Shareholders and their affiliates	**296,360**	278,681
A shareholder holding a 6.63% interest in the Company	**406**	–
	325,013	303,232
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	**742,720**	776,514
Construction contracting services provided by:		
Fellow subsidiaries	**38,701**	10,014
Associates of BUCG and their subsidiaries	**132,183**	116,119
Affiliates of beneficial shareholders	**469**	–
	171,353	126,133

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2015 and 2014: (continued)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Design, survey and consultancy services provided by:		
Associates	**17,023**	18,533
Associates of BUCG	**818**	–
A joint venture	**2,420**	–
	20,261	18,533
Rental expenses and property management fees paid or payable to:		
BUCG	**2,164**	2,741
Fellow subsidiaries	**11,456**	11,444
	13,620	14,185

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

On 10 March 2014, the Company disposed of all its equity interests in Beijing "Urban Rapid Rail Transit" Journal Press Co.,Ltd. to BUCG for a cash consideration of RMB450,000. Therefore, from the date of disposal onwards, Beijing "Urban Rapid Rail Transit" Journal Press Co., Ltd. ceased to be accounted for as a joint venture of the Group.

On 10 October 2014, Zhikong Technology was established by the Company and BUCIC, the fellow subsidiary of the Company. The Company owned directly a 60% equity interest in the entity. The paid-in capital of Zhikong Technology is RMB30,000,000.

BUCG guaranteed certain of the Group's letters of guarantee for bidding, performance and prepayment for projects undertaking and the outstanding balances of such guarantee letters as at 31 December 2015 and 2014 were RMB149 million and RMB241 million, respectively.

In addition, BUCG issued certain letters of guarantee for performance and prepayment to customers in respect of its operation of urban rail transit construction contracting. As at 31 December 2015 and 2014, the balances of the relevant letters of guarantee were RMB37 million and RMB823 million respectively. Due to the Reorganisation, BUCG transferred the operation related to urban rail transit construction contracting services to the Company. The title of such outstanding letters of guarantee are in the process of novation from BUCG to the Company.

The Group guaranteed certain of associates' letters of guarantee for performance for projects undertaking and the outstanding balances of such guarantee letters as at 31 December 2015 were RMB11 million.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2015 and 2014: (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 2015 and 2014, the Group entered into extensive transactions with other SOEs, such as bank deposits, rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machinery. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

(b) In the opinion of the Directors, the below related party transactions shall also constitute continuing connected transactions under Chapter 14A of the Listing Rules:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Design, survey and consultancy services provided to:		
BUCG	**19,105**	16,829
Fellow subsidiaries	**9,142**	1,112
	28,247	17,941
Construction contracting services provided by:		
Fellow subsidiaries	**38,701**	9,960
An associate of BUCG	**64,907**	21,233
	103,608	31,193
Rental expenses and property management fees paid or payable to:		
BUCG	**2,164**	2,741
Fellow subsidiaries	**11,456**	11,444
	13,620	14,185

34. 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, 25 and 26 to 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	
	2015	2014
	RMB'000	RMB'000
Short term employee benefits	**6,976**	7,958
Pension scheme	**622**	546
	7,598	8,504

(e) COMMITMENTS WITH RELATED PARTIES

As at 31 December 2015, 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 a Beneficial Shareholder and a Beneficial Shareholder's affiliate, the Company is engaged to build certain subways and the backlog as at 31 December 2015 was RMB1,789 million (31 December 2014: RMB1,669 million).

Pursuant to certain design services contracts signed by the Company and certain Beneficial Shareholders, Beneficial Shareholder's affiliates, fellow subsidiaries and BUCG, the Company is engaged to design certain subways and industrial and civil construction and municipal engineering and the backlog as at 31 December 2015 was RMB1,099 million (31 December 2014: RMB1,065 million).

Pursuant to the construction contracts dated in December 2015, the Company is engaged by a Beneficial Shareholder to build certain subways and affiliated engineering work of urban rail transit, and the contract amounts were RMB1,520 million.

35. 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 2015 RMB'000	31 December 2014 RMB'000
Financial assets		
Available-for-sale financial investments:		
Available-for-sale investments	**118,650**	913,650
Loans and receivables:		
Trade and bills receivables	**1,585,729**	1,709,006
Financial receivables	**585,566**	–
Financial assets included in prepayments, deposits and other receivables	**620,881**	124,656
Pledged deposits	**50,333**	24,985
Cash and bank balances	**2,228,119**	1,944,687
	5,189,278	4,716,984
Financial liabilities		
Financial liabilities at amortised cost:		
Interest-bearing bank loans	**410,000**	–
Trade payables	**1,561,319**	1,438,483
Financial liabilities included in other payables, advances from customers and accruals	**171,678**	189,645
	2,142,997	1,628,128

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts 31 December		Fair values 31 December	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments, current portion	**110,000**	910,000	**110,189**	912,405
Loans and receivables:				
Trade and bills receivables, non-current portion	**72,714**	32,028	**72,507**	32,028
Financial receivables	**585,566**	–	**584,900**	–
Financial assets included in prepayments, deposits and other receivables, non-current portion	**470,540**	20,206	**470,468**	20,206
	1,238,820	962,234	**1,238,064**	964,639
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank loans	**410,000**	–	**367,885**	–
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	**36,632**	31,722	**35,655**	31,722
	446,632	31,722	**403,540**	31,722

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables and accruals and the non-current portion of available-for-sale investments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for annual financial reporting.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

FAIR VALUE HIERARCHY:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:
31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables, non-current portion	–	72,507	–	72,507
Financial receivables	–	584,900	–	584,900
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	470,468	–	470,468
	–	1,127,875	–	1,127,875

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables, non-current portion	–	32,028	–	32,028
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	20,206	–	20,206
	–	52,234	–	52,234

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

ASSETS MEASURED AT FAIR VALUE:

31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments, current portion	**–**	**110,189**	**–**	**110,189**

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments, current portion	–	912,405	–	912,405

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

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

31 December 2015

	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 loans	–	367,885	–	367,885
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	35,655	–	35,655
	–	403,540	–	403,540

31 December 2014

	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 liabilities included in other payables, advances from customers and accruals, non-current portion	–	31,722	–	31,722

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, pledged deposits and interesting-bearing bank loans. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of Directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans, 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 2015 RMB'000	2014 RMB'000
Market interest rates	1%	**(979)**	–
Market interest rates	(1%)	**979**	–

(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, the aforesaid currency is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

37. 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 24 to the financial statements.

The following tables indicate the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure during the years ended 31 December 2015 and 2014. 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 2015 RMB'000	2014 RMB'000
If RMB weakens against the United States dollar	5%	**68,070**	55,609
If RMB strengthens against the United States dollar	(5%)	**(68,070)**	(55,609)
If RMB weakens against the Hong Kong dollar	5%	**3,542**	24,992
If RMB strengthens against the Hong Kong dollar	(5%)	**(3,542)**	(24,992)

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.

(c) CREDIT RISK

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, financial receivables, available-for-sale investments and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and bank balances and pledged deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) CREDIT RISK (CONTINUED)

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Concentrations of credit risk are managed by customer, by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the 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 2015			
Interest-bearing bank loans	**20,090**	**446,979**	**467,069**
Trade payables	**1,561,319**	**–**	**1,561,319**
Financial liabilities included in other payables and accruals	**135,046**	**37,822**	**172,868**
Total	**1,716,455**	**484,801**	**2,201,256**
31 December 2014			
Trade payables	1,438,483	–	1,438,483
Financial liabilities included in other payables and accruals	157,923	31,722	189,645
Total	1,596,406	31,722	1,628,128

37. 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 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank loans, trade payables, financial liabilities included in other payables and accrual, less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of reporting period are as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Interest-bearing bank loans (note 27)	**410,000**	–
Trade payables (note 25)	**1,561,319**	1,438,483
Financial liabilities included in other payables and accruals	**171,678**	189,645
Cash and bank balances (note 24)	**(2,228,119)**	(1,944,687)
Pledged deposits (note 24)	**(50,333)**	(24,985)
Net cash	**(135,455)**	(341,544)
Total equity	**3,013,738**	2,622,690
Capital and net cash	**2,878,283**	2,281,146
Gearing ratio	**NA**	NA

38. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2016, the Company, at the first extraordinary general meeting in 2016, considered and approved the Supplemental Agreement to the Existing Non-competition Agreement entered into between the Company and BUCG on 29 October 2015 by adding a new provision to enable BUCG and the Company to cooperate and bid for new projects under specific limited circumstances, which otherwise the Company may not be able to obtain by itself. For details, please refer to the announcement and circular of the Company dated 29 October 2015 and 11 December 2015 respectively.

38. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

On 24 March 2016, the board of Directors proposed the payment of a final dividend of RMB0.0837 per ordinary share in respect of the year ended 31 December 2015, based on the enlarged issued share capital of the Company of 1,272,670,000 shares. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

39. 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 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**282,081**	240,383
Prepaid land lease payments	**32,646**	33,356
Intangible assets	**7,165**	9,006
Investments in subsidiaries	**619,391**	67,525
Investments in joint ventures	**2,450**	2,450
Investments in associates	**5,600**	5,600
Available-for-sale investments	**3,650**	3,650
Deferred tax assets	**53,111**	46,802
Trade receivables	**72,714**	32,028
Prepayments, deposits and other receivables	**27,503**	47,079
Total non-current assets	**1,106,311**	487,879
CURRENT ASSETS		
Prepaid land lease payments	**710**	710
Inventories	**46,918**	29,229
Trade and bills receivables	**1,531,002**	1,468,492
Prepayments, deposits and other receivables	**239,797**	198,474
Amounts due from contract customers	**1,507,074**	1,118,851
Available-for-sale investments	**110,000**	910,000
Pledged deposits	**39,264**	11,414
Cash and bank balances	**1,897,574**	1,806,354
Total current assets	**5,372,339**	5,543,524
CURRENT LIABILITIES		
Trade payables	**1,429,347**	1,333,056
Amounts due to contract customers	**1,027,527**	741,614
Other payables, advances from customers and accruals	**1,114,928**	1,242,136
Provisions for supplementary retirement benefits	**2,590**	4,540
Tax payable	**40,049**	128,408
Total current liabilities	**3,614,441**	3,449,754

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

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	31 December 2015 RMB'000	31 December 2014 RMB'000
NET CURRENT ASSETS	**1,757,898**	2,093,770
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,864,209**	2,581,649
NON-CURRENT LIABILITIES		
Provisions for supplementary retirement benefits	**40,644**	59,794
Other payables and accruals	**36,496**	31,722
Total non-current liabilities	**77,140**	91,516
Net assets	**2,787,069**	2,490,133
EQUITY		
Share capital	**1,272,670**	1,272,670
Reserves (note)	**1,514,399**	1,217,463
Total equity	**2,787,069**	2,490,133

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

Note:

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

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special Reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	193,571	51,675	–	302,932	548,178
Profit for the year	–	–	–	317,823	317,823
Other comprehensive loss	(4,484)	–	–	–	(4,484)
Total comprehensive income for the year	(4,484)	–	–	317,823	313,339
Issue of H shares	418,352	–	–	–	418,352
Share issue expenses	(62,406)	–	–	–	(62,406)
Appropriation to statutory surplus reserve	–	31,898	–	(31,898)	–
Transfer to special reserve	–	–	28,817	(28,817)	–
Utilisation of special reserve	–	–	(28,817)	28,817	–
As at 31 December 2014 and 1 January 2015	**545,033**	**83,573**	**–**	**588,857**	**1,217,463**
Profit for the year	**–**	**–**	**–**	**369,972**	**369,972**
Other comprehensive income	**20,760**	**–**	**–**	**–**	**20,760**
Total comprehensive income for the year	**20,760**	**–**	**–**	**369,972**	**390,732**
Final 2014 dividend declared	**–**	**–**	**–**	**(93,796)**	**(93,796)**
Appropriation to statutory surplus reserve	**–**	**37,054**	**–**	**(37,054)**	**–**
Transfer to special reserve	**–**	**–**	**30,808**	**(30,808)**	**–**
Utilisation of special reserve	**–**	**–**	**(30,808)**	**30,808**	**–**
At 31 December 2015	**565,793**	**120,627**	**–**	**827,979**	**1,514,399**

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 24 March 2016.