北京城建设计发展集团股份有限公司
BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

Beijing Urban Construction Design & Development Group Co., Limited
北京城建設計發展集團股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1599)

2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited is pleased to announce the audited annual results of the Group for the year ended 31 December 2016. This results announcement, containing the full text of the 2016 Annual Report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results and have been reviewed by the Audit Committee under the Board. The printed version of the 2016 Annual Report of the Company will be dispatched to the holders of H Shares of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.bjucd.com in April 2017.

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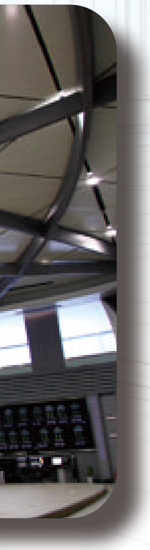

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DEFINITIONS

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 may be amended, supplemented and otherwise modified from time to time
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted shares which are currently not listed or traded on any stock exchange
"Group", "us" or "we"	the Company and its subsidiaries
"Share(s)"	ordinary share(s) of the Company, including H Share(s) and Domestic Share(s)

"H Share(s)"	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"PRC" or "China"	the People's Republic of China
"Reporting Period" or "the Year"	the year ended 31 December 2016
"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
"Yunnan Jingjian"	Yunnan Jingjian Capital Construction Co., Ltd. (雲南京建投資建設有限公司)
"%"	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

STOCK NAME:

UCD

STOCK CODE:

1599

H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:

5 Fuchengmen North Street,
Xicheng District,
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

LEGAL REPRESENTATIVE:

Ms. Wang Liping

SECRETARY OF THE BOARD:

Mr. Xuan Wenchang

JOINT COMPANY SECRETARIES:

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

WEBSITE:

www.bjucd.com

AUDITORS:

Ernst & Young

LEGAL ADVISORS:

AS TO HONG KONG LAWS:

Linklaters

AS TO PRC LAWS:

Haiwen & Partners

FINANCIAL SUMMARY

For the year ended 31 December 2016, the Group achieved revenue of RMB5,090 million, while the net profit for the Reporting Period amounted to RMB479 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 operating revenue for the periods indicated:

	For the year ended 31 December			
	2016		2015	
	RMB'000	% of operating revenue	RMB'000	% of operating revenue
Design, survey and consultancy	2,212,180	43.5	1,964,283	49.0
Construction contracting	2,877,893	56.5	2,044,230	51.0
Total	5,090,073	100.0	4,008,513	100.0

For the year ended 31 December 2016, the Group's total revenue was RMB5,090 million, representing an increase of RMB1,081 million, or 27.0% compared with the corresponding period of last year, which was mainly attributable to the smooth progress of PPP projects in the construction contracting segment.

The financial information for the years 2012, 2013, 2014, 2015 and 2016 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				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	11,003,118	7,739,604	6,711,561	5,225,272	4,783,412
Total liabilities	7,485,646	4,725,866	4,088,871	3,666,705	4,102,148
Non-controlling interests	223,304	88,314	22,735	9,632	614
Interests of the owners (excluding non-controlling interests)	3,294,168	2,925,424	2,599,955	1,548,935	680,650
Revenue	5,090,073	4,008,513	3,346,278	2,923,485	2,693,540
Gross profit	1,103,034	833,976	753,916	586,702	477,841
Profit before tax	566,966	461,923	413,758	310,318	231,048
Profit attributable to owners of the parent	471,950	397,629	349,817	235,563	194,423


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CHAIRMAN’S STATEMENT

Dear shareholders,

I am delighted to present the 2016 annual results on behalf of the Board of the Company.

In 2016, the Group continued to enhance its management and expanded its market, thereby achieving remarkable results once again. For the year ended 31 December 2016, the revenue of the Group amounted to RMB5,090 million, representing an increase of RMB1,081 million or 27.0% compared with that of RMB4,009 million for the corresponding period of last year. Our net profit amounted to RMB479 million, representing an increase of RMB81 million or 20.4% compared with that of RMB398 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 has presented its advantages, with rapid growth in the Company’s overall comprehensive strengths.

Year 2016 was the first year of the decisive stage for building a moderately prosperous society in all respects and a crucial year for carrying out supply-side structural reform, during which the economy and society maintained a stable and healthy development, achieving a good start for the “13th Five-Year Plan”. The Chinese economy was getting more stable in a slowdown trend while maintaining a good development momentum and its economic growth kept within an appropriate range with higher quality and efficiency. The Company’s innovation and development have been provided with new opportunities arising from the accelerated implementation of significant strategic initiatives by the Chinese government, such as Made in China 2025, the “Internet Plus” and the Belt and Road Initiative.

In 2017, the Group, by continued adherence to the customer-oriented and market-driven operating principles, is committed to strengthening its position as a leader in the urban rail transit industry. The Group will develop based on the direction of its strategic plans, and by expanding design and consultancy, strengthening construction contracting, steadily developing investment-based rail transit and other infrastructure construction PPP business as well as by promoting industrialization development through green, intelligent and technological innovation and by further improving the Company’s management levels, the Company will achieve rapidly increasing results to repay the society and return the shareholders.

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

Wang Liping
Chairman

Beijing, 27 March 2017

GENERAL MANAGER'S STATEMENT

Dear shareholders,

2016 is the starting year of the ""13th Five-Year Plan". The Group seized new opportunities arising from the "new normal" phase of economic development, and promoted improvement of both quantity and quality across the Group by insisting on its synergetic development of the entire rail transit industry chain. Therefore, the Group successfully achieved outstanding results at the beginning of the "13th Five-Year Plan".

In 2016, the Group completed 17 general contracting projects for rail transit design, which reached a record high and broke the single unit design project record in terms of contract value for 4 consecutive times. Among these projects, the Yantai Line 1 Project had a total contract value of over RMB580 million, making it the biggest single unit design contracting in the history of the Group. In 2016, the Company maintained its leading position as the dominant player in the rail transit design industry with the largest market share in the PRC. Meanwhile, the Company has also maintained industrial leadership in survey segment; sponge cities, utility tunnel and rural construction industries, has pushed forward the development of civil and municipal construction under the difficult conditions. The Company has expanded its business into new markets under the Belt and Road Initiative, by entering into the Astana Light Rail Design Project and the Russian Metro Design Project.

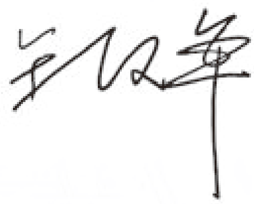
In 2016, in respect of the construction contracting segment of the Group, the Outer Ring North Road Engineering Project in Anqing City has successfully opened for operation. The Company won the bids of projects including the Kunming Rail Transit Line 4, the Feng-Xin Express Line, the Central Yunnan Airport Avenue. The Apple Orchard Transportation Hub opened up a new chapter in the TOD integrated development. Sales in construction contracting segment has recorded the highest level in the past 5 years, including successful initiation of EPC projects in Delingha and Huangshan, as a result of industrialisation of science and technology, 3 major product systems covering railway, intelligent control system and trolley bus were formed and achieved growing output.

In 2016, the Group's National Engineering Laboratory, the Structure Center and the Energy Conservation Center have been a "troika" leading the development progress of the industry. Several milestones including winning of the State Technological Invention Award (國家技術發明獎) for the first time and FIDIC award (the "Nobel Prize" in the engineering design industry) for the first time, together with emergence of the first batch of national engineering survey and design masters, have fully reflected our outstanding innovation ability.

In 2016, the Group constantly optimised the management process by enhancing the production organisation model and the incentive scheme; the Company was granted the A class qualification for engineering survey; the corporate information system has achieved effective development through the official implementation of the BIM promotion scheme. All of such efforts have served as a strong guarantee for the Company's development.

Looking back, is the better way for planning the future. 2017 is the year for our country to strengthen the supply-side reform and accelerate the construction of urban infrastructure. It is also a crucial year for our country to focus on "Ten Billion Strategy", as well as achieving the leapfrog in development. By building an integrated headquarter of the Group as safeguards, the Company will maintain synergy development of the full industry chain, expand design and consultancy business, strengthen construction contracting capability and proactively explore the development path of new business, so as to promote its development to a brand new level.

Let's work hard together to achieve a brighter future!



Wang Hanjun
General Manager

Beijing, 27 March 2017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MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2016, 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 stable growth trend in operating results and a remarkable enhancement in its comprehensive strengths.

For the year ended 31 December 2016, the Group's revenue amounted to RMB5,090 million, representing an increase of RMB1,081 million or 27.0% compared to the revenue of RMB4,009 million of the corresponding period of last year. The Group's net profit amounted to RMB479 million, representing an increase of RMB81 million or 20.4% compared to the net profit of RMB398 million of the corresponding period of last year.

FINANCIAL REVIEW

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December	
	2016	2015
	(RMB'000)	(RMB'000)
Revenue	5,090,073	4,008,513
Cost of sales	(3,987,039)	(3,174,537)
Gross profit	1,103,034	833,976
Other income and gains	171,694	78,993
Selling and distribution expenses	(73,633)	(57,250)
Administrative expenses	(529,830)	(354,558)
Other expenses	(47,061)	(35,575)
Finance costs	(59,033)	(4,983)
Share of losses of joint ventures	(976)	(522)
Share of profits of associates	2,771	1,842
Profit before tax	566,966	461,923
Income tax expense	(88,284)	(64,215)
Profit for the year	478,682	397,708

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 2016, the Group achieved a revenue of RMB5,090 million, representing an increase of RMB1,081 million or 27.0% compared with that of RMB4,009 million for the corresponding period of last year. The Company actively responded to the Chinese "new normal" economy, actively seized the favourable opportunities arising from the acceleration of urban rail transit construction in the PRC, made strong efforts to expand and consolidate of the traditional design, survey and consultancy business, and proactively developing the PPP business. In 2016, Anqing Outer Ring North Road PPP project has been completed and open to traffic, and the Zunyi Fengxin Expressway PPP project and the PPP project of Airport Avenue Mid-Section (Wenlin Road to the North Airport Highway) in the New District of Central Yunnan have been newly bid, which effectively drove the revenue from the relevant businesses of the Company to increase at a steady pace.

	For the year ended 31 December	
	2016	2015
Business segments	(RMB'000)	(RMB'000)
Design, survey and consultancy	**2,212,180**	1,964,283
Construction contracting	**2,877,893**	2,044,230
Total	**5,090,073**	4,008,513

Total revenue

5,090

RMB Million

Net profit during the Period

479

RMB Million

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 2016, the Group, by fully leveraging on its technical strengths in the industry, actively seizing the favourable opportunities arising from the acceleration of urban rail transit construction in the PRC, earnestly working on the performance and marketing of market projects on hand and actively expanding its businesses in third- and fourth-tier cities, newly winning bids of 17 general projects of design of rail transit in places including Beijng, Yantai, Shenzhen, Shijiazhuang, Urumqi, Nanjing, Zhengzhou and Changchun throughout the Year with a contract amount of RMB2,915 million, four of which separately represented a contract amount of over RMB300 million.

The Group's revenue from the urban rail transit construction design business in the design, survey and consultancy segment amounted to RMB1,838 million for the Year, representing an increase of 17.7% compared with the revenue of RMB1,561 million for the corresponding period of last year. The revenue from the industrial and civil construction and municipal engineering business amounted to RMB374 million for the Year, representing a decrease of 7.2% compared with the revenue of RMB403 million for the corresponding period of last year.

CONSTRUCTION CONTRACTING SEGMENT

The Group's construction contracting segment focuses on the services for urban rail transit construction projects, with the scope of business covering various specific areas of civil construction and equipment installation for urban rail transit projects. The rail transit construction contracting projects undertaken by the Group covered major cities of China, including Beijing, Guangzhou, Urumqi and Wuhan. Meanwhile, driven by the development of PPP project of the Company, remarkable progress has been achieved for the urban infrastructure contracting projects in Anqing, Zunyi and Kunming.

For the year ended 31 December 2016, the Group's revenue from the construction contracting segment was RMB2,878 million, representing an increase of RMB834 million or 40.8% compared with that of RMB2,044 million for the corresponding period of last year. Such increase was mainly attributable to the revenue of RMB1,438 million generated from the PPP projects in Anqing, Zunyi and Kunming in 2016 which promoted the fast growth of the construction contracting segment of the Group effectively.

Design, Survey and Consultancy Segment

RMB **2,212** Million

Construction Contracting Segment

RMB **2,878** Million

COST OF SALES

For the year ended 31 December 2016, the cost of sales incurred by the Group was RMB3,987 million compared with that of RMB3,175 million for the corresponding period of last year, representing an increase of RMB812 million or 25.6%. 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 2016, the cost of sales of the Group's design, survey and consultancy segment increased to RMB1,519 million for the Year from RMB1,336 million for the corresponding period of last year, representing an increase of 13.7%. Among that, the cost of sales of the urban rail transit construction business of the Group's design, survey and consultancy segment increased to RMB1,207 million for the Year from RMB1,018 million for the corresponding period of last year, representing an increase of 18.6%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment decreased to RMB312 million for the Year from RMB318 million for the corresponding period of last year, representing a decrease of 1.9%.

For the year ended 31 December 2016, the cost of sales of the Group's construction contracting segment increased to RMB2,468 million for the Year from RMB1,839 million for the corresponding period of last year, representing an increase of 34.2%, which was roughly equivalent to the increase in revenue of 40.8%.

GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2016, the gross profit of the Group was RMB1,103 million, representing an increase of RMB269 million or 32.3% compared with that of RMB834 million for the corresponding period of last year, while the consolidated gross margin increased from 20.8% to 21.7%. The increase in gross margin was mainly due to the fact that the percentage of total operating revenue attributable to the construction contracting segment increased from 51.0% for the corresponding period of last year to 56.5% for the Year, and the gross margin of the construction contracting segment increased from 10.1% for the corresponding period of last year to 14.3% for the Year.

The gross profit of design, survey and consultancy segment increased to RMB693 million for the Year compared with that of RMB628 million for the corresponding period of last year, representing an increase of RMB65 million or 10.4%. The gross margin decreased from 32.0% for the corresponding period of last year to 31.3% for the Year, which was mainly due to the increase in the number of projects in other cities driven by the business development of the Company and the increase of the general contracting projects of design, which resulted in the relative increase of the cost. The gross profit of the construction contracting segment increased from RMB206 million for the corresponding period of last year to RMB410 million for the Year, representing an increase of RMB204 million or 99.0%. The gross margin increased from 10.1% for the corresponding period of last year to 14.3% for the Year, mainly due to the relatively higher gross margin of PPP projects and the percentage of its revenue over the revenue from construction contracting segment increased from 27.9% for the corresponding period of last year to 50.0% for the Year.

OTHER INCOME AND GAINS

For the year ended 31 December 2016, other income and gains of the Group were RMB171.69 million, representing an increase of RMB92.7 million compared with that of RMB78.99 million for the corresponding period of last year, primarily due to the increase in financial income from the PPP projects.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2016, selling and distribution expenses of the Group were RMB73.63 million, representing an increase of RMB16.38 million or 28.6% compared with that of RMB57.25 million for the corresponding period of last year, which was mainly due to actively seizing the opportunities arising from the acceleration of urban rail transit in the PRC and the further enhancement of market expansion and investment by the Company.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2016, administrative expenses of the Group were RMB529.83 million, representing an increase of RMB175.27 million or 49.4% compared with that of RMB354.56 million for the corresponding period of last year. The increase in the administrative expenses was mainly attributable to the increase in the number of management staff, and the corresponding increase in administrative and management costs and relevant taxes resulted from the expansion of the our business scale, together with an increase in R&D expenditures due to more efforts and resources put in R&D by the Group.

OTHER EXPENSES

For the year ended 31 December 2016, other expenses of the Group were RMB47.06 million, representing an increase of RMB11.48 million or 32.3% compared with that of RMB35.58 million for the corresponding period of last year, which was mainly attributable to the increase in bad debt provision.

FINANCE COSTS

For the year ended 31 December 2016, finance costs of the Group were RMB59.03 million, representing an increase of 1,085.3% compared with that of RMB4.98 million for the corresponding period of last year, which was due to the higher interest expense caused by the increase in borrowings.

INCOME TAX EXPENSE

For the year ended 31 December 2016, the income tax expense of the Group was RMB88.28 million, representing an increase of RMB24.06 million or 37.5% compared with that of RMB64.22 million for the corresponding period of last year, which was mainly attributable to the increase in profit before tax.

PROFIT FOR THE YEAR

For the year ended 31 December 2016, the profit for the year of the Group was RMB479 million, representing an increase of RMB81 million or 20.4% compared with that of RMB398 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	
	2016 (RMB'000)	2015 (RMB'000)
Net cash outflows from operating activities	(1,143,859)	(865,207)
Net cash inflows from investing activities	108,799	1,132,245
Net cash inflows from financing activities	1,442,443	377,115
Net increase in cash and cash equivalents	407,383	644,153

The net cash outflows from operating activities amounted to approximately RMB1,144 million for the Year as a result of the advance of approximately RMB350 million for the property owners provided by Yunnan Jingjian during the Year, the construction payment of approximately RMB469 million paid for the Outer Ring North Road PPP project in Anqing which has been completed in the Year, the construction payment of approximately RMB232 million and RMB32 million paid for the Zunyi Fengxin Expressway PPP project and PPP project of Airport Avenue Mid-Section in New District of Central Yunnan respectively, which entered into the main construction stage during the Year, as well as the income tax expense of approximately RMB93 million paid by the Group. The net cash inflow from the investing activities amounted to approximately RMB109 million, which was mainly contributable to the net inflow of approximately RMB107 million from the Group's investment on the financial products during the Year. The net cash inflow from financing activities of approximately RMB1,442 million was mainly due to a borrowing of RMB1,468 million obtained by Anhui Jingjian and Yunnan Jingjian for funding the PPP projects in the Year.

PLEDGE OF ASSETS

For the year ended 31 December 2016, the Group's right of future receivables for a certain service concession arrangement was pledged to secure a certain of the Group's bank loans. As at 31 December 2016, the pledged receivables were RMB2,209 million (as at 31 December 2015: RMB1,036 million).

CONTINGENT LIABILITIES

As of 31 December 2016, the Group's letters of guarantees for project performance undertaken by certain associates and the not-yet-due-balances of such guarantee letters was RMB13 million (as at 31 December 2015: RMB11 million). Apart from this, the Group did not have other material contingent liabilities.

CAPITAL COMMITMENTS

The capital commitments of the Group as at 31 December 2016 and 31 December 2015 were as follows:

	As at 31 December 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Contracted, but not provided:		
Property, plant and equipment	–	4,550

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The financial resources of the Group mainly consist of equity financing and debt financing. In addition, ordinary business operation also provides the Group with source of funding. As of 31 December 2016, the net current asset value of the Group was RMB2,095 million, among which cash and cash equivalents accounted for RMB2,566 million. The liquidity of the Group was sound and healthy and it had adequate cash and available banking facilities to satisfy its operating needs. The Group will continue to adhere to a policy of financial prudence in managing cash balance, while maintaining adequate liquidity, so as to ensure that the Group is able to capture any business growth opportunities in a timely manner.

As at 31 December 2016, the Group's interest-bearing borrowings were RMB1,878 million while the gearing ratio was 53.4%.

(1) Note: Gearing ratio represents the total interest-bearing borrowings as of 31 December 2016 divided by the total equity as at the date of this report.

INDEBTEDNESS

The table below shows the total borrowings of the Group as at 31 December 2016 and 31 December 2015. The Group generally settles the borrowings on time.

	As at 31 December 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Bank borrowings		
Pledged	1,370,000	410,000
Other borrowings		
Non-pledged	508,400	–
	1,878,400	410,000

The Group's borrowings are all denominated in RMB. One of the bank borrowings is 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 2016, the interest rate for the borrowings was 4.90%. Other borrowings are at a fixed interest rate of 4.90%.

The table below shows the maturity of the Group's debts as at 31 December 2016 and 31 December 2015 :

	As at 31 December 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Within one year	80,000	–
Between one to two years	160,000	80,000
Between two to three years	274,400	160,000
Between three to four years	128,000	144,000
Between four to five years	248,000	26,000
Over five years	988,000	–
Total	1,878,400	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 is insignificant and will not have a material and adverse impact on the financial position of the Group. During the Reporting Period, the Group has no corresponding hedging arrangements.

USE OF PROCEEDS

As of 31 December 2016, the Company utilized an aggregate of RMB687.03 million of the proceeds from the initial public offering of H shares, among which RMB380.34 million was used to supplement the invested funds for design, survey and consultancy projects and construction contracting projects in relation to urban rail transit business, RMB182.79 million was used to enhance, through self-development, cooperation or acquisition, the design and technology research capabilities in relation to the urban rail transit business and facilitate commercialisation of the technologies, RMB46.65 million was used to improve the construction capabilities in relation to urban rail transit business, RMB6.68 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.

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.

EMPLOYEES

As at 31 December 2016, the Group had approximately 4,201 employees, representing an increase of 264 employees or 6.7% as compared with that of 3,937 employees for the corresponding period of 2015.

For the year ended 31 December 2016, the total employee costs of the Group were RMB1,208 million, representing an increase of RMB188 million or 18.4% compared with that of RMB1,020 million for the corresponding period of last year, which is mainly attributable to the corresponding increase in employee costs due to the substantial improvement of our results.

The Group had approximately 4,201 employees, among which, employees in the headquarters accounted for approximately 65%, and those in the subsidiaries accounted for approximately 35%. The number of employees increased by 6.7% in 2016 as compared with 2015. Over 42% of the employees have worked in the Company for more than five years. The Company has one member of Chinese Academy of Engineering, one engineering survey expert, 7 professors who receive allowance from the government, over 400 registered holders of professional technical qualifications. The medium or senior level professional technicians and the employees who hold a bachelor's degree or a higher degree accounted for 60% and 80% respectively, of the total employees of the Company. In 2016, in order to elect and recruit high quality talents, the Company held particular recruitment activities in prestigious universities, such as Tsinghua University and Tongji University, to recruit outstanding graduates. Meanwhile, the Company also commits to fully exploring the internal staffing potential through adopting the recruitment mechanism of "select personnel inside first, then outside" to address our demand for talents.

In each year, the Company selects and rewards the employees who make remarkable contribution to the annual results and secure outstanding performance. Satisfactory results have been achieved in various aspects of the business operation of the Company during 2016, owing to the diligent and creative efforts of our staff. Therefore, in order to further motivate our staff to accomplish the tasks for 2017 in a positive and creative manner, the Company selected ten employees with outstanding performance who were awarded the 2016 President Incentive Bonus (院長獎勵基金). Besides, 64 employees were rewarded as the "2016 Excellent Staff" by the Company with a view to set good samples who demonstrate the enterprise spirit of "professional, creative, efficient, dedication".

The Company attaches great emphasis to the staff development and cultivation. Staff training is conducted through our corporate university with the aims to establish a training system which adapts to the corporate development strategy and to build a learning organization. Staff is offered with both internal and external training on topics covering the cut-edge technologies in industry, latest technologies, technological innovation, project management, function management, business exchange, basic technique, etc. Apart from attending the training in person, staff can participate in training by means of remote online training and downloading video, so as to enable the employees in other cities or on trips to participate in training. In 2016, the Company conducted 1,122 training with a total of 4,490 hours, among which, about 112 were on function management and 953 were on professional technique, fully covering staff across the Company. For the purpose of further addressing the needs for high quality and multi-talented personnel in business development, and further improving the cultivation of hierarchy of staff, the Company formulated the training mechanism for middle and senior management and organized training activities such as "Training Class for Young Managers" in 2016.

RETIREMENT POLICY

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

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2016 and 2015 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悦諮詢公司) using the projected unit credit actuarial valuation method.

Details of provisions for supplementary retirement benefits are set out in note 28 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

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

THE COMPANY'S MANAGEMENT MEASURES IN 2017

In 2017, 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 construction contracting business and expand new business with a view to becoming a leading comprehensive urban construction services provider in the industry with international influence.

In 2017, details of the Company's management measures are divided into four major aspects as follows:

– **To expand the design and consultancy business**. Supported by the leading advantages in urban rail transit and with marketing being highly valued in the preliminary stage of projects, we will actively expand businesses in third- and fourth- tier cities to obtain more projects and expand our market shares; strengthen the management of high-quality services and working on the performance of projects with high standards, consolidate and expand the Company's leading advantages in survey, design and consultancy areas and devote to maximize our market scales and operational efficiency; combine BIM, geographic information systems and other new technology applications and build an intelligent product system for the survey business; adopt a differentiated competition strategy, further expand and develop the civil construction, municipal engineering, integrated development and the survey of market as well as to closely follow new businesses supported by the state such as sponge city, urban utility tunnel and rural construction industries. We will proactively plan for projects overseas and expand our overseas markets by focusing on the new market and new opportunities emerging in the infrastructure along the the Belt and Road Initiative.

– **To enhance our construction contracting business**. We will focus on civilized construction and ensure high-quality performance of projects through the construction of construction management platform and modern management techniques; based on Beijing, systemically develop markets in other cities and with the principles of caution, controllable risks and steady progress, we will actively expand business areas of the subway, light rail, modern tram and urban utility tunnel, 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.

– **To foster and develop new business actively**. Led by design business and driven by investment, we will strengthen the expansion of PPP business to realize multidimensional synergetic development, as well as strive to obtain a number of PPP projects; adhere to the organic integration of the five links of rail transit on planning, design, investment, financing and construction, create synergies among sectors, and promote the integrated development of property of rail; cultivate operational capacity actively based on the practical experience from Kunming Rail Transit Line 4 and modern tram project in Delingha; directed by the market, establish an integrated industry-university-research technical achievement incubation model to accelerate the R&D and marketing for new products from technological industrialization.

– **To continuously regulate and improve the modern corporate governance structure to ensure our healthy development as a listed company**. We will strengthen fundamental corporate management, regulate internal economic order, continually enhance the headquarters building, improve our service assurance capacities and promote the A-share listing work in order; continually enhance the quality control on technology, improve knowledge management and promote the application and synergic design of BIM; improve the production safety management system and avoid production and safety accident of a relatively large scale; shape a good brand image and accelerate the corporate informatization construction; optimize the remuneration structure and talent appraisal system, set up a sound platform for staff's development in order to achieve the synergetic growth of our employee remuneration and shareholders' returns and fulfill the targets of our employees, shareholders and the society.

MARKET LANDSCAPE AND BUSINESS OUTLOOK

In 2016, China was intensifying and continually deepening its overall economic transformation. Focusing on the structural reform on the supply side, China expanded its total demand moderately and had a good beginning for its "13th Five-Year Plan". The rail transit industry still showed fast-growing momentum. Benefiting from the overall environment of favourable policies, each of our business segments maintained steady development. Leveraging on its advantage in the integration of the whole industrial chain, the Company strives towards the goal of "becoming a design-led urban construction integrated service provider".

Urban Rail Transit

China is under greater transportation pressure in the course of rapid urbanisation and mechanisation. To solve such problem and to propel and maintain the sustainable development of urbanisation, it is preferred to direct the urban transportation development mode in China towards developing urban public transportation system. As such, the urban rail transit market has following features:

The urban rail transit market expands rapidly

As of 31 December 2016, there are 128 urban rail transit lines in 29 cities in mainland China, with an aggregate operating rail transit distance of 3,832 km. Taking into account of the city express rails referred to by the China Association of Metros (中國城市軌道交通協會), there should be 134 completed urban rail transit lines under operation in 30 cities with a record high operating rail transit distance of 4,153 km, representing an increase of 18 lines, or 535 km. There are 21 cities with two or more urban rail transit lines, indicating a gradually forming network.

The distance of newly constructed lines in 2016, being the beginning year for the "13th Five-Year Plan", increased by 85.8% and 20.2% respectively as compared to that of 288 km and 445 km in 2011 and 2015, namely the first year and the last year for the 12th Five-Year Plan. This indicates that the urban rail transit in China is growing quickly. It is expected that about 1,000 km newly constructed lines will commence operation by the end of 2017 with total operating distance of over 5,000 km, and 3,000km operating distance will be added during the "13th Five-Year Plan". The operation business will become a long-term development.

Urban rail transit experienced fast development in medium and small cities. In 2016, urban rail transit lines in Dongguan, Hefei, Nanning and Fuzhou opened to traffic and the construction plans of urban rail transit lines in Wuhu, Shaoxing, Luoyang and Baotou were approved for the first time. More market opportunities will arise from the development of urban rail transit in second-tier and third-tier cities.

Increasing number of preliminary planning and design projects were approved, facilitating the growth of relevant business in the city such as infrastructure construction and industry integration development. In 2016, 36 urban rail transit lines in 11 cities in total were approved.

Aggregate operating
urban rail transit distance

4,153 km

The trend of multi-transit modes strengthens, creating niche markets

The subway mode dominates in the urban rail transit lines currently in operation in China, accounting for over 80% of the total mileage. In addition to traditional urban rail transit modes, modes such as city express rail, tram, straddle-type monorail and low-to-median speed maglev are developing rapidly. In 2016, the NDRC launched the city express rail transit pilot project jointly with the China Railway Construction Corporation and Zhejiang Province, and included the construction of city express rail into the comprehensive transportation planning of the "13th Five-Year Plan" of the country as a key project during the period. Bidding for overall design of the modern streetcar construction was also active, with 5 lines in 5 cities, namely Beijing, Hangzhou, Quanzhou, Anshun and Wenshan, completing their biddings for the overall design. Straddle-type monorail and low-to-median speed maglev are also welcomed by many second-tier and third-tier cities.

We conduct research and invest in the emerging markets by initiatively formulating the Design Specification of City Express Rail Transit (《市域快速軌道交通設計規範》) and the Engineering Technical Standard of Modern Streetcar Transit (《現代有軌電車交通工程技術標準》). With our location advantage, we will be a market leader in the design of rail transit in Beijing, Tianjin and Heibei Province.

The government takes the lead in the construction of innovative network of urban rail transit

The top seven national engineering laboratories for urban rail transit were approved. Establishment of top-notch engineering laboratories for urban rail transit in the world will boost the advancement and innovation of the urban rail transit technologies in the country. The Company takes initiative to build the "national engineering laboratories for green and safe construction technologies of urban rail transit" to create a high-level platform for sci-tech innovation in the industry in accordance with relevant requirements of the country.

Technological innovations, such as piloted driving technology, interconnected technology and work-flow intellectualization technology, will drive the development of the industry and improve the efficiency and quality of the urban rail transit operation.

Overseas business keeps expanding

The demand in international market remains strong as cities without urban rail transit are confronted with the difficulties and problems in constructions while cities with urban rail transit look for technical revamp and improvement. The Belt and Road Initiative introduces us to the global urban rail transit market. With the implementation of the strategy and relevant policies, market leaders in the urban rail transit industrial chains will become more competitive in the international market to participate in core business.

PPP

In 2016, the PPP investment mode was more mature in China and relevant projects were implemented successfully. According to the figures published by the PPP Integrated Information Platform of the Ministry of Finance (財政部PPP綜合信息平台), as of 30 September 2016, the Ministry of Finance (MOF) has approved a total of 10,471 PPP projects amounting to a total investment of RMB12.46 trillion; among those approved projects, a large number are from municipal engineering and transportation industry, which has a total investment demand of RMB4.45 trillion, representing 53.6% of the overall investment demand. It indicates that municipal engineering and transportation industry will become the dominant investment target of the future PPP project in China and the key focuses for investment and financing of PPP projects of the Company.

Utility Tunnel

Given that the urban infrastructure in our country is insufficient with low standard and is operated and managed slackly, the State Council published the Opinion on Facilitating Urban Infrastructure Construction (《關於加強城市基礎設施建設的意見》) in 2013, which clearly stated the requirements on steadily boosting the construction of underground utility tunnels in cities and launched pilot projects in 36 large and medium-sized cities to look for suitable solutions for finance, construction, maintenance, pricing and operation modes of utility tunnels and enhance the management of the utility tunnel construction. The pilot projects are expected to set examples for cities qualified to construct utility tunnel under important roads and pipeline concentrated areas in the course of new district development, urban redevelopment as well as construction, reconstruction and expansion of roads. To cater to the needs of pipeline owners to use, operate and maintain the pipelines, the underground utility tunnel in cities require unified planning, construction and management together with construction of auxiliaries for fire control, electricity, lighting, surveillance, alarming, ventilation, drainage and signs.

Sponge City

In 2015, the General Office of the State Council published the Guidance for Facilitating the Construction of Sponge City (《關於推進海綿城市建設的指導意見》) to plan for the construction of sponge cities. The Guidance specified that the sponge city can minimise the impact of city development on eco-environment and help to retain and utilise 70% of rainfalls locally. It is expected that over 20% and over 80% of the city area will meet the requirement by 2020 and 2030 respectively. As of 2016, the Ministry of Finance, the Ministry of Housing and Urban-Rural Development and the Ministry of Water Resources have approved the construction of 30 pilot sponge cities nationwide in two tranches.

Development of Integrated Urban Space

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

Integrated Transportation Hub

National Urban System Plan (2006–2020) (《全國城鎮體系規劃(2006–2020年)》) encourages the development of national integrated transportation hub system to facilitate the efficient linkage among various transportation methods and enhance the outreaching benefits of city centres to the surrounding areas. In the Summary of the 13th Five-Year Plan for the National Economy and Social Development (《國民經濟和社會發展第十三個五年規劃綱要》), it is stated that the government will construct a high-efficient integrated transportation system that connects domestic and international transportations and widely reaches various districts and cities with comprehensive functions as a hub as well as integrating transportation and services in accordance with the principle of networking layout, intelligent management, integrated service and green development. By 2020, we will create 100 stylish and three-dimensional integrated passenger terminals in important integrated transportation hub cities nationwide.

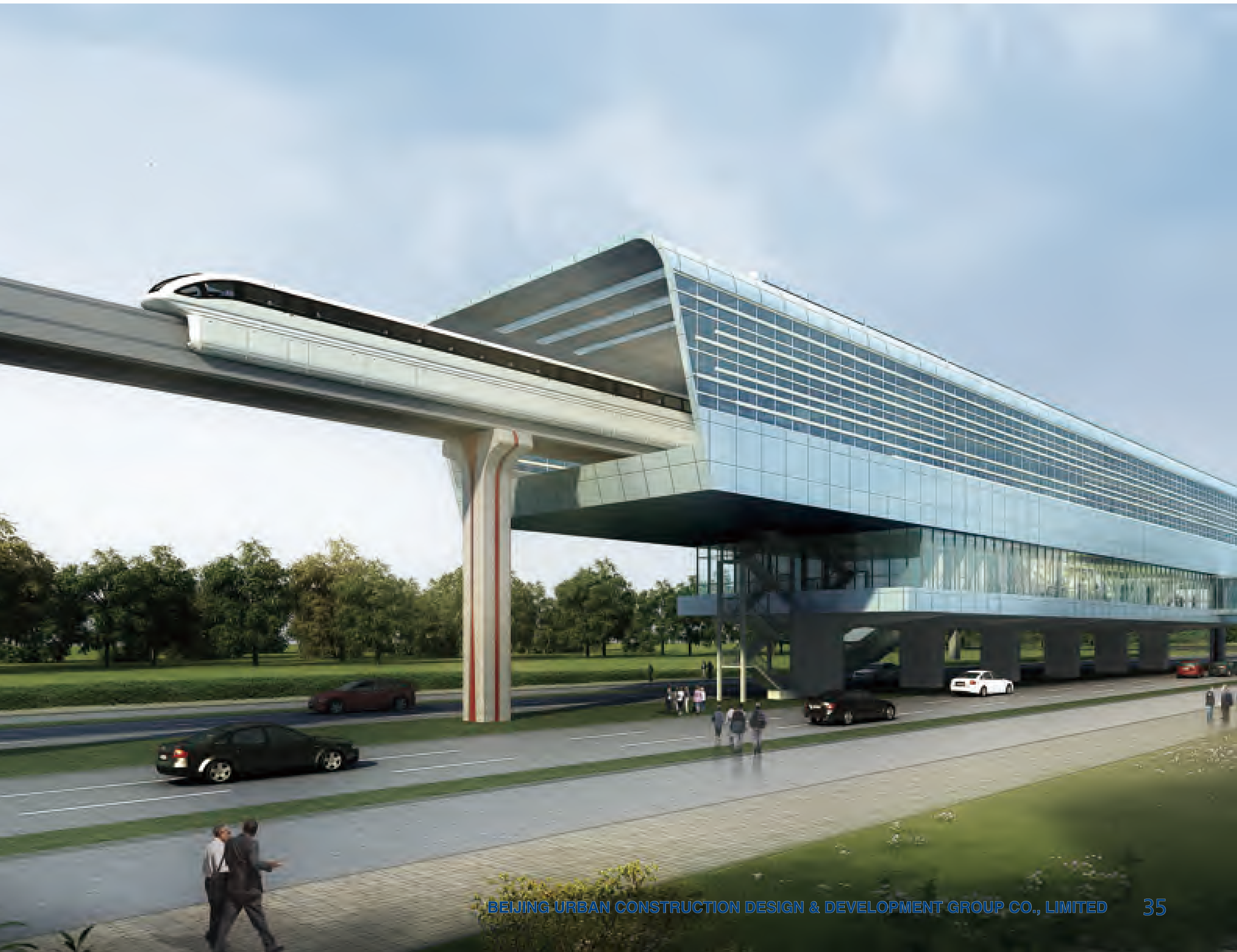
Technology Industrialisation

In the Beijing Technical Innovation Plan (2014–2017) (《北京技術創新行動計劃(2014–2017年)》) published by the Beijing Government, the "rail transit industry" project was one of the 12 major projects. The plan encouraged improvement in R&D and manufacturing of high-level equipment and engineering technical service as well as R&D of new technologies, new products and pilot application of urban rail transit, with an aim to optimise the industrial structure and boost its development. The goal of the plan is to further enhance the technical R&D capacity of equipment manufacturing enterprises and facilitate the development of competitive engineering technical service companies and companies featuring with profession, uniqueness, refinement and innovation in 2017, so as to improve the construction and operation technology of urban rails and boost the development of the industry cluster.

In 2017, we will focus on the new product developments such as the surveillance system of utility tunnel, subway mode rail system, automatic system of urban rail transit based on cloud platform and control system of straddle-type monorail. We will upgrade the existing products in rail lines, intelligent controlling and trolley buses and enhance their influence. By exploring the new mode combing industry, academy and research; we will develop market in Beijing, Zhengzhou, Anhui and Yunnan to enter into new contracts for subway and modern tram and complete the construction of the first products of straddle-type monorail and utility tunnel.

Establishment of Sub-civic Center and Urban Redevelopment

Implementing the strategy of synergetic development of Beijing, Tianjin and Heibei, Beijing is in a new stage for developing a world-class capital suitable for living. Establishment of a sub-civic center is a necessary solution to the problem of population pressure in main districts and concentration of resources which are beyond the city's capacity. We will seize the opportunities arising from the establishment of sub-civic center in Tongzhou and the corresponding urban re-development and participate in the planning and construction of rail transit, municipal supporting facilities and smart city in Tongzhou to relieve Beijing from pressure and serve to the country and Beijing with high standards and sustainable developments.



DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wang Hanjun (王漢軍), aged 52, 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 50, 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 58, is the chairwoman and non-executive Director of the Company, and is the deputy general manager of BUCG. Ms. Wang served as the Director and Chairman of Beijing Urban Construction Design & Research Institute Co., Ltd., our predecessor, from November 2002 to the date of conversion of the Company, during which period she also acted as its acting president from February 2009 to May 2011. She was appointed as the chairman and non-executive Director of the Company on 28 October 2013. Ms. Wang worked at the Enterprise Department of Beijing Urban Construction Engineering Corporation (北京市城市建設工程總公司), the predecessor of BUCG, from September 1986 to October 1992. She served as the chief economist of Beijing Urban Construction Decoration Engineering Corporation Company (北京市城市建設裝飾工程公司) in charge of its economic work from October 1992 to September 1993; the deputy chief economist of Beijing Urban Construction Group Corporation (北京城建集團總公司), the predecessor of BUCG, from September 1993 to July 1994; the chief economist of Beijing Urban Construction Group Corporation from July 1994 to July 1999; and the chief economist of BUCG, which was principally engaged in construction contracting, real estate development and design and consultancy businesses before its reorganization, from July 1999 to July 2012. She has been acting as the deputy general manager of BUCG since July 2012. Ms. Wang obtained her bachelor's degree in economics majoring in political economics from Nankai University (南開大學) in Tianjin in September 1984 and was awarded a master's degree in economics by Nankai University in September 1986. Ms. Wang was qualified as a senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in December 1993.

Mr. Chen Daihua (陳代華), aged 53, is a non-executive Director of the Company, and is the party secretary and chairman 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 49, 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. Guan Jifa (關繼發), aged 51, is a non-executive Director of the Company, and is the deputy general manager of Beijing Infrastructure Investment Co., Ltd.. From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban No. 3 Construction Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd.(北京京創投資有限公司) from January 2008 to March 2010. He has been the general manager of the land development business department, assistant to the general manager and deputy general manager of Beijing Infrastructure Investment Co., Ltd. since March 2010. He has been a non-executive director and chairman of China City Railway Transportation Technology Holdings Company Limited (a company listed on Hong Kong Stock Exchange, Stock Code: 1522) since October 2015. 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 50, is a non-executive Director of the Company, and the deputy general manager of Beijing Rail Transit Construction and Management Co., Ltd. (北京市軌道交通建設管理有限公司) ("Rail Transit Company"). Mr. Su served at the Ministry of Railways and was in charge of the technical and management work for several years from July 1988. He acted as the chairman and party secretary of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the "No. 3 China Railway") from October 2001 to February 2003; the deputy supervisor and chief engineer of Beijing supervising unit of the No. 3 China Railway from February 2003 to July 2003; and the supervisor of Jijie-Mongolia highway construction and supervising unit of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at Rail Transit Company from December 2003 to May 2008 and served as the deputy secretary and general manager of Line 5 project management unit, and the secretary of Line 10 project management unit in Beijing. Mr. Su has been the deputy general manager of Rail Transit Company since May 2008. Mr. Su obtained his bachelor's degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master's degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a professor-grade senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2006.

Mr. Yan Lianyuan (閆連元), aged 54, is a non-executive Director of the Company, and the deputy general manager of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司). Mr. Yan has successively served as the technician, section chief, engineering commander, deputy commissioner, deputy executive commissioner, commissioner of the Beijing Pinggu Highway Administration Institute (北京市平谷公路管理所) (Pinggu Branch of Beijing Highway Bureau (北京市公路局平谷分局)) from July 1984 to September 2002; the assistant to the general manager of Beijing Gonglian Highway Connect Line Co., Ltd., which is primarily engaged in the construction management of urban roads and facilities, from September 2002 to present, and successively and concurrently served as the head of plan and contract department, the general manager of Beijing Gonglian Investment Management Co., Ltd. (北京公聯投資管理有限責任公司), the chairman of Beijing Gonglian Jingsheng Petrochemical Co., Ltd. (北京公聯京勝石化有限公司), the chairman of Beijing Gonglian Shouqi Petroleum and Chemical Co., Ltd. (北京公聯首汽石化有限公司), and the general manager of Kunming New Airport Highway Construction and Development Co., Ltd. (昆明新機場高速公路建設發展有限公司). Mr. Yan graduated from Beijing Construction Engineering College (北京建築工程學院) majoring in road and bridge, with a bachelor degree of engineering in July 1984.

Mr. Tang Shuchang (湯舒暢), aged 56, is a non-executive Director of the Company, and the assistant to the general manager of Beijing Urban Construction Group. Mr. Tang worked as an assistant to the logistics department in Army 00092 of Infrastructural Engineering Brigade (基建工程兵零零零九二部隊) from December 1978 to July 1983; the officer of the finance division of Beijing Urban Construction No. 4 Corporation (北京城建四公司) from August 1983 to April 1991; the cost accountant of the finance department of Beijing Urban Construction 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 and chairman of the Board of Supervisors of Beijing Urban Construction Investment Development Co., Ltd (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) since July 2002. Mr. Tang graduated from Central College of Finance and Economics (中央財經學院) majoring in infrastructure finance and credit in July 1988; he was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Fengchao (張鳳朝), aged 70, 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 70, 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 53, is an independent non-executive Director of the Company. He has over 25 years' experience in the financial industry. Dr. Yim joined Junan Securities Co., Ltd. (君安證券有限公司) in 1993 and joined Guotai Junan Hong Kong Group (國泰君安香港集團), which is primarily engaged in financial services, in 2000. He currently acts as the chairman of the board, executive director and chief executive officer of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 1788) and is fully in charge of the general operation and management of Guotai Junan International Holdings Limited and its subsidiaries. Dr. Yim has been a non-executive director of Shenzhen International Holdings Limited (深圳國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 0152) 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) and the Vice President of Chinese Financial Association of Hong Kong.

Mr. Sun Maozhu (孫茂竹), aged 58, is an independent non-executive Director of the Company. He obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr. Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by China Securities Regulatory Commission and School of Economics & Management Tsinghua University (清華大學經濟管理學院) in June 2002 and currently serves as an independent director for Casin Guoxing Property Development Co., Ltd. (財信國興地產發展股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 000838). He obtained his bachelor's degree of economics majoring in financial accounting from Renmin University of China in July 1984. In July 1987, he obtained his master's degree of economics majoring in accounting from Renmin University of China. Mr. Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 49, is an independent non-executive Director of the Company. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the research centre on transport and environment of the School of Civil Engineering of Beijing Jiaotong University. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor degree of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master's degree of science in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctor degree of engineering in civil structural engineering from Dalian University of Technology. In December 1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Northern Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the working committee of Urban Rail Transit Technology of China Civil Engineering Society. In December 2002, Mr. Liang obtained the qualification of Senior Teachers of Higher Education from Beijing Municipal Commission of Education (北京市教育委員會).

SUPERVISORS

Mr. Yuan Guoyue (袁國躍), aged 58, is a Supervisor and chairman of the supervisory board of the Company and currently the head of sales and marketing department of BUCG. Mr. Yuan served as the chief engineer of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from January 1990 to December 1993; the project manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from December 1993 to December 2003; the deputy manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from December 2003 to August 2006 and concurrently the project manager of each of the project of Terminal T3 and National Stadium; the deputy manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from August 2006 to August 2007; the deputy manager of construction contracting department of BUCG from August 2007 to December 2010; a director of Beijing Urban Construction No. 5 Asset Management Co., Ltd. from January 2010 to April 2016 and the head of sales and marketing department of BUCG from December 2010 to present. In January 1983, Mr. Yuan graduated from Chongqing Architecture College (重慶建築高等專科學校) with a college degree in industrial and civil construction. In August 2001, he graduated from the master programme in business administration of College of Economics and Business Administration of Beijing Normal University (北京師範大學經濟管理學院). In 2004, Mr. Yuan was qualified as a senior engineer evaluated by the Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會), a Constructor of the Ministry of Construction of the People's Republic of China (now the Ministry of Housing and Urban-Rural Development of the People's Republic of China) (中華人民共和國建設部，現稱中華人民共和國住房和城鄉建設部) in June 2008 and a Chartered Architect of the Royal Institute of British Architects (英國皇家建造師協會) in December 2008.

Ms. Nie Kun (聶菎), aged 46, 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.

Ms. Zhao Hong (趙鴻), aged 27, is a Supervisor of the Company, and currently the senior manager of the fund investment department of Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心). Ms. Zhao has successively served as the business assistant, business executive and senior manager of the fund investment department of Beijing State-owned Capital Operation and Management Center from July 2013 to present. Ms. Zhao graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor degree in management in June 2011 and graduated from Central University of Finance and Economics with a master's degree in management in June 2013.

Mr. Chen Rui (陳瑞), aged 43, 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. He has successively 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 present. Since 28 October 2013, Mr. Chen has served as a Supervisor of the Company. Mr. Chen obtained a bachelor of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Mr. Ren Chong (任崇), aged 41, is a Supervisor of the Company, and the vice general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren started to work in 1996, and he has more than ten years of investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture capital investment, from March 2008 to June 2009; the project manager of Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), which is primarily engaged in investment management, from July 2009 to February 2012; the deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd., which is primarily engaged in investment management business and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP), which is primarily engaged in non-securities investment, investment management and consultancy, since March 2012. Mr. Ren has served as a Supervisor of the Company since 28 October 2013. Mr. Ren obtained a bachelor of engineering majoring in metal material and processing from Central South University of Technology in June 1996 and a master of management majoring in enterprise management from Nankai University in June 2004.

Ms. Mi Jianzhou (彌建洲), aged 48, 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 47, 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 in 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. Mr. Zhang obtained a bachelor of engineering from the Department of Automatic Control of Beijing University of Technology in July 1993. Mr. Zhang 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 45, is an employee representative Supervisor and the chief accountant of the Construction Contracting Department of the Company. From July 1995 to March 2002, Mr. Wang 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 construction contracting department (renamed as civil engineering construction contracting department) of BUCG from March 2002 to October 2012. Mr. Wang 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 construction contracting department of BUCG in October 2012. In December 2012, the rail transit construction contracting department of BUCG was restructured and consolidated into the Company (currently known as the construction 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 (engineering management specialisation) from New Jersey Institute of Technology in May 2011. Mr. Wang 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 42, 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 successively served 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 70, 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 had successively 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 51, is an independent Supervisor of the Company. Mr. Zuo worked on project management and science and research editing in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted science and research editing in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. He was granted a post-doctorate degree jointly offered by Institute of Economics of Chinese Academy of Social Science (中國社會科學研究院經濟研究所) and Guangdong Fenghua Advanced Technology (廣東風華高科) in October 1999 to December 2001. He took up the role as a deputy researcher for Academy of Economic Research of the National Development Planning Commission (國家發展計劃委員會) (now known as the NDRC) from December 2001 to March 2005. He was a deputy head and 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) from September 2014 to March 2016, and the distinguished research fellow of Institute of Industrial Innovation and Finance in Tsinghua University（清華大學產業創新與金融研究院）since April 2016. 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 42, is a deputy general manager of the Company. Ms. Cheng was the project manager of the Planning and Design Division of Engineering Department of the Organizing Committee for the Beijing Olympic Games (BOCOG) from July 2002 to March 2005. She served as the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005. She took up the role as a deputy head and subsequently the head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy officer of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008). She was an assistant to the general manager of BUCG from February 2008 to 14 April 2014. Ms. Cheng served as a vice president of the Company from January 2009 to December 2013. Ms. Cheng has acted as a deputy general manager of the Company since 16 December 2013. Ms. Cheng obtained a bachelor's degree majoring in architecture at Tsinghua University in July 1997. She was a doctoral candidate jointly educated by School of Architecture of Tsinghua University and School of Design of Harvard University from September 2000 to May 2001, and obtained a doctor's degree of engineering majoring in architectural design and theory from Tsinghua University in July 2002. Ms. Cheng was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in August 2010.

Mr. Jin Huai (金淮), aged 52, is a deputy general manager of the Company, and the president of Beijing Rail Transit Design & Research Institute Co., Ltd.. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992. He served as the manager of the technical office, the assistant to the president and the chief engineer of Beijing Urban Construction Exploration & Surveying Institute from May 1992 to November 2000. Mr. Jin acted as the chief engineer of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計院有限責任公司) from December 2000 to May 2003. He was the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006. He served as the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from March 2005 to 21 October 2014. He took the role as the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute from 14 March 2008 to 21 October 2014. He was the deputy president of the Company from May 2003 to December 2013. He has been serving as the president of Beijing Rail Transit Design & Research Institute Co., Ltd. since 23 July 2014. Since 16 December 2013, Mr. Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering majoring in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985. Mr. Jin obtained a master's degree of science majoring in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Wang Liang (王良), aged 51, is a deputy general manager of the Company and the general manager of the Construction Contracting Department of the Company. Mr. Wang acted as an assistant engineer, an engineer, the 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 construction contracting department of BUCG from March 2004 to June 2006; the deputy manager of construction contracting of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction contracting department of BUCG in October 2012. In December 2012, the Rail Transit construction contracting Department of BUCG was restructured and consolidated into the Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr. Wang has been serving as a deputy general manager of the Company and he has been the general manager of the Construction Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the first class constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Xu Xiaodong (徐曉冬), aged 52, 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 56, 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. Yu Songwei (于松偉), aged 51, is a deputy manager of the Company. Mr. Yu worked as a designer in the Subway Design & Reserch Laboratory (地鐵設計研究所) of Beijing Urban Construction Engineering Design Institute (北京市城市建設工程設計院) from July 1987 to May 1996; a chief electrical engineer in the Equipment Design Division (設備設計科) of Beijing Urban Construction Engineering Design Institute from May 1996 to September 1998; the deputy chief engineer of Beijing Urban Construction Engineering Design & Research Institute (北京市城建工程設計研究院) and the president of its Equipment Design Division from September 1998 to February 2002; the deputy chief engineer of Beijing Urban Construction Design & Research Institute and the president of its Electrical Design Division from February 2002 to February 2003; the deputy chief engineer of Beijing Urban Construction Design & Research Institute Co., Ltd. from March 2003 to February 2006; the deputy president of the Rail Transit Design & Research Institute(軌道交通設計研究院) of Beijing Urban Construction Engineering Design & Research Institute Co., Ltd. from February 2006 to August 2012; the president of the Rail Transit Design & Research Institute of Beijing Urban Construction Design & Development Group Co., Limited since August 2012 and has been acting as the deputy general manager of the Company since June 2016. Mr. Yu obtained a bachelor's degree in railway electrification and a master's degree in electrical engineering from Southwest Jiaotong University in July 1987 and June 2007, respectively. In September 2002, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Yang Xiuren (楊秀仁), aged 52, is the Chief Engineer of the Company and a National Engineering Survey and Design Master. Mr. Yang has been an assistant engineer of the Bridge and Tunnel Department of No. 3 Survey Institute (第三勘察設計院橋隧處) 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), and was hornored as the National Master of Engineering Survey Design (全國工程勘察設計大師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 30 December 2016.

Mr. Xiao Mujun (肖木軍), aged 49, is the Chief Accountant of the Company. Mr. Xiao worked in No. 5 Urban Construction Company (城建五公司) where he served successively as project cashier, accountant, financial controller, project operating deputy manager and the deputy manager of that company's financial department from July 1993 to August 2001. He worked in Beijing Urban Construction Investment Development Co., Limited from August 2001 to August 2006, during which he acted as the financial head of the preparatory group for Beijing Urban Construction's Chongqing International Convention & Exhibition Center project from August 2001 to June 2002; a staff member of the audit department of Beijing Urban Construction Investment Development Co., Limited from June 2002 to June 2004; the financial director of Beijing CCID Info Tech Inc. from June 2004 to August 2006. He acted as the manager of the financial department, the deputy chief accountant and the manager of financial department and the deputy general manager of Beijing Urban Real Estate Exploitation Co., Ltd. from August 2006 to May 2009, from May 2009 to October 2012 and from October 2012 to May 2016, respectively. Mr. Xiao has been the chief accountant of the Company since June 2016. Mr. Xiao graduated from China Agricultural University majoring in land planning and utilization in July 1993. In December 2003, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Liu Li (劉立), aged 50, 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 48, 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.

The Board of Directors presents this report together with the audited financial statements of the Group for the year ended 31 December 2016.

BUSINESS REVIEW *Note*

PRINCIPAL BUSINESS

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

OPERATING RESULTS AND FINANCIAL POSITION

During the Reporting Period, with favorable condition for comprehensive development of urban rail transit in China, the Company took advantage of its competitive edges in its full rail transit industry chain, continuously expanded the design, survey and consultancy business, and steadily fulfilled new tasks under innovative models, resulting in a rapid increase in business revenue with good performance results in general. For the year ended 31 December 2016, the revenue of the Company amounted to 5,090 million, representing an increase of RMB1,081 million or 27.0% compared with the corresponding period of last year, among which revenue from the design, survey and consultancy business was RMB2,212 million, accounting for 43.5%, and revenue from the construction contracting business was RMB2,878 million, accounting for 56.5%. The net profit amounted to RMB479 million, representing an increase of RMB81 million or 20.4% 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, continuously expanded in scale, with explosive growth in results. During 2016, the Company won a total of 17 general contracting projects of survey and design, reaching a record high. During the Year, the bidding amount of single unit broke and refreshed the historical record for four times, among which, the highest bidding amount of single unit, i.e. the bidding amount for Yantai Line 1, amounted to RMB580 million. The total bidding amount for the first ten months of the Year was two times of the total bidding amount of last year and the Company established markets of rail transit in Urumqi, Yantai, Shaoxing and other emerging cities, which further strengthened the Company's leading position in China's urban rail transit market. During the Reporting Period, the Company made progress at different stages of PPP business segment. The PPP engineering demonstration project of the Ministry of Finance of PRC undertaken by the Company has created

Note: Other sections or chapters mentioned in this section form part of the Report of the Board of Directors.

a precedent for the operation of domestic PPP project of the same type. The first public welfare municipal road PPP project in China – Anqing Outer Ring North Road PPP project has completed and opened for operation 8 months ahead of schedule, bringing dual-drive by social and economic benefits to the Company. Subsequently, the Company successfully won the bids of several municipal road PPP projects, including Zunyi-Fengxin Expressway PPP project and PPP project of Airport Avenue Mid-Section (Wenlin Road to the North Airport Highway) in the New District of Central Yunnan, with bidding amount nearly RMB6,000 million. More importantly, the Company has also achieved historical breakthrough in PPP project within rail transit segment, successfully winning the bid of Kunming Rail Transit Line No. 4 PPP project with bidding amount of RMB8,800 million, which is the first rail transit PPP project combining investment, construction and operation won by the Company. Meanwhile, the Company has achieved breakthrough in TOD business with capital strength. The civil construction and integrated segments have overcome difficulties and developed. The Company has obtained several projects of amount of tens of million of RMB including the elevated section design of section 7 of Beijing Pinggu Line, Beijing sewage treatment and Guogongzhuang central bus station and other projects, won the bids of urban utility tunnel projects in Beijing Wangfujing and Dongba region and the projects in Zhengzhou, Qingdao and other places also achieved a new breakthrough. The Company established a joint venture named Beijing Shengtong Real Estate Co., Ltd (北京晟通置業發展有限公司) with Beijing Gonglian Transportation Junction Construction Management Co., Ltd. (北京公聯交通樞紐建設管理有限公司) and Shijingshan Government Investment Platform Co., Limited, and opened up a new chapter in the Company's TOD integrated development business with taking the opportunity of the first primary development of the Apple Orchard Transportation Hub.

The construction contracting segment also had a bumper harvest, wining the bids of 8 projects, of which we were awarded the projects of section 1 of Urumqi Subway Line 2, section 19 of Beijing Subway Line 17, section 6 of Beijing Yanfang Subway Line, section 2 of underground urban utility tunnel of Beijing Subway Line 7 east extension, section 7 of Beijing Subway Line 12, section 10 of Suzhou Subway Line 5, Zhangxin Grain Reserve Phase 2 and Beijing 601 project. The Company newly obtained the projects of modern tram in Qinghai Delingha, new roads and urban utility tunnel EPC in Huangshan.

The Company has put great efforts on the layout of technological industrialization, resulting in three product systems of the rail product, intelligent control and trolley bus. Among which, the rail transit product has been applied in Wuhan Donghu, Hainan Sanya, Shenzhen Longhua and other places; the subway automation system and visual grounding system have been applied in Chengdu, Vietnam and other places; the electronic monitoring and dynamic load weighing system have been applied in the whole section of Anqing Outer Ring North Road; the energy-storage type trolley charging pile project in Ningbo has been obtained. The industrialization segment has created a new economic growth point for the Company. The projects of ELV maintenance of tram in Qingdao Chengyang, trolley EPC charging pile in Ningbo, electronic monitoring and dynamic load weighing system for Anqing Outer Ring North Road, and other projects in Wuhan, Shenzhen Longhua, Hainan Sanya have been successfully completed, achieving an overall profit margin up to 23%.

During the Reporting Period, the Company won a number of awards. The Company gained a world-class award in respect of rail transit design and consulting business, enjoying great industry influence. The Beijing Metro Line 10, which the Company acted as the general contractor for design, won the outstanding project award of FIDIC. This was the first time for the Company's design and consulting project to win the world-class award, and also the first time for the infrastructure project in Beijing to obtain the FIDIC award, it has therefore gained widespread concern from the domestic mainstream media. The "innovation and application of key technology of subway environment protection and energy efficient" won the second prize of National Technology Invention Award, which was the first time for domestic urban rail transit field to win this award. At the same time, the Company obtained 22 patents, 4 software copyrights, 2 ZhanTianyou Awards, 13 awards for design, 7 awards for consulting, 4 awards for construction, 8 technical progress awards and 9 quality management awards.

The Company will integrate its own "13th Five-Year Plan" strategic development plan to speed up the synergy development of the full rail transit industry chain and focus on its objective as a "Ten Billion Enterprise", grasp the opportunities brought by the national efforts to deepen the supply side reform and accelerate the development of infrastructure, adhere to take "becoming an integrated service provider of urban construction directed by design" as our corporate vision, keep on expanding design and consultancy, and strengthen construction contracting, so as to achieve a leapfrog development.

FINANCIAL HIGHLIGHTS AND DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

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

Major Risks and Uncertainties

Risks on Macro Policy

The rail transit industry is one of fundamental industries of the Chinese national economy and PPP is also in the main direction encouraged by the state. The fluctuations in state macro-economic regulation policy, industry policy and industry planning will have a significant and direct impact on the development of the Company. Currently, the state encourages development of the construction of infrastructure in the rail transit industry and PPP business model, 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: proactively understand the state's new economic policies, through proactive communication with related governmental authorities to grasp information on national politics, economy, industry, law, environment etc, conduct research and estimates on market trends, timely adjust corporate planning and accelerate the development riding on the good situation at this stage through the industry chain and synergy among industry segments, meanwhile constantly optimizing product structure and expanding new business models to tackle the risks.

Exchange Rate Risks

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

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

Risks on Market Competitions

Under the new normal economic condition, China continues to selectively expand its investment and construction in municipal infrastructure and introduce PPP model. At the same time, the lasting 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. Design enterprises are hoping to participate in the rail transit industry, leading to more direct and frequent business competitions between the Company and its competitors. More importantly, the change in the investment model has pushed the industry competition to be upgraded again. If the Company cannot effectively deal with the competitions, it will affect the business growth of the Company, and bring about challenges to the expansion of scale of the Company, which may reduce the Company's level of profits and market share.

Countermeasures: through grasping national policy, timely and effectively collection of information relating to competitors, proactively conduct market research to exactly grasp the changes to market demands and properly anticipate and respond to such changes. Meanwhile, ensure the performance of projects in hand, and through increasing investments in scientific research, continuously improve the core competitive capability and innovative ability, 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

2017 is the first year of the decisive stage of building a well-off society in an all-round way of China, and also the crucial year of promoting the structural reform of supply side. The economic society maintains stable and healthy development, which marks a good start in "13th Five-Year Plan". In face of the changes in the market under the new normal, the national economy situation is also undergoing a slow but stable development with positive signals: Firstly, the accelerated implementation of "Made in China 2025", "Internet Plus", "the Belt and Road Initiative" and other major strategic initiatives by the state; Secondly, with the steady operation of domestic economy, and by the government's increased efforts in pushing forward the deepening reform of state-owned enterprises, building up an innovative drive pattern and stimulating sustainable economic growth, policies relating to environmental-friendly and smart transportation, sponge city as well as smart city will be implemented. These factors bring great challenges as well as opportunities for the development of the Company. Therefore, playing a greater role and achieving greater value in the urban rail transit industry through a model that combines full industry chain with capital operation is an important direction for the Company.

Guided by its established development plan (2016–2020) and the direction of the state policy, the Company will lead the development of the Company and fully enhance its economies of scale and development quality. The rail transit design and consultancy segment will continue to maintain its leading position in the industry by continuously improving quality, technical levels, capability of performance of business contracts, cost control and staff performance level. The civil municipal design will be supported by the rail transit design and consultancy segment to expand and strengthen its relevant product lines and, to identify opportunities in the markets such as urban utility tunnels and smart city to produce featured and advantageous products. Our efforts in construction contracting segment will focus on improving project management level, strengthening project contract performance, and establishing a sound brand image. We will attach importance to developing new business in rail transit industry, 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" in this report.

Corporate Environmental Policy and Performance

Taking advantage of technology research and development platform of environmental-friendly and safety construction for urban rail transit as well as rail transit energy-saving technologies, the Company will engage in innovative research development work on environmental protection and green energy-saving for the rail transit industry.

The Company complies with 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/T24001–2004ISO 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. The Company will continue to fulfill its social responsibilities, prepare environmental, social and governance reports in compliance with relevant requirements, and made relevant disclosures as required.

Combining the actual situation of construction project engineering and special features at the time of implementation, the Company comprehensively 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 Hong Kong Listing Rules for the regulation of its operations. During the Reporting Period, there was no material breach of laws and provisions and no penalty being imposed.

The Company insists to perform corporate and social responsibilities and attaches importance to occupational health and safety and strictly adheres to the established GB/T28001–2011/OHSAS 8001:2007 occupational health and safety management system. Pursuant to the Work Safety Law of the People's Republic of China, the Regulations on Work Safety Accident Reporting and Investigation and the Measures of Work Safety Permits, the Company regularly identifies risk sources, assesses risks and formulates corresponding control and contingency response measures. It also promotes health and safety through regular training programmes and awareness activities. During the Reporting Period, the Company had no fatal accidents and no property damage.

Material Relationships between Employees, Clients and Suppliers

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

The Company focuses on serving its customers and provides its customers 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 of the Company are state-owned construction and management companies, which have long-term good business and cooperation relationships with the Company. The five largest suppliers of the Company primarily provide professional sub-contracting services and machinery and equipment for the rail transit construction contracting business of the Company with good cooperation relationship. For relationship between the Company, major customers and suppliers, please refer to the section headed "Major Customers and Suppliers" below.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 114 to page 115 of this report.

On 27 March 2017, the Board of Directors resolved to propose the distribution of a final dividend of RMB0.0996 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 2016 annual general meeting to be held on 5 June 2017.

The register of members of the Company will be closed from Saturday, 6 May 2017 to Monday, 5 June 2017, both days inclusive, during which period no transfer of Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Saturday, 6 May 2017 shall be entitled to attend and vote at this annual general meeting. Holders of H Shares who wish to attend and vote at this annual general meeting shall lodge all transfer documents accompanied by the relevant H Share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 5 May 2017 for registration.

To determine the list of the shareholders entitled to receive the final dividend, the Company's register of members will be closed from Friday, 9 June 2017 to Tuesday, 13 June 2017, 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 Tuesday, 13 June 2017 are entitled to receive the final dividend. In order for holders of H Shares of the Company to qualify for the payment of the final dividend, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 8 June 2017 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 2016 annual general meeting to be held on 5 June 2017.

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

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX ON BEHALF OF OVERSEAS NON-RESIDENT ENTERPRISES

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

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

Pursuant to the Notice on Issues Relating to Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 published by the State Administration of Taxation, when overseas resident individual shareholders holding H Shares obtained dividend and/or bonus Shares from the non-foreign invested enterprises incorporated in the PRC that issue H Shares in Hong Kong, the individual income tax is usually withheld at a uniform rate of 10%. The specific rate applied to overseas resident individual shareholders may be different according to his/her residential status and the tax treaties signed between the country of his/her residence and the PRC.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the Directors, Supervisors and Senior management of the Company are set out from pages 36 to 52 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHANGES OF DIRECTORS

Mr. Zhang Jie tendered his resignation as a non-executive Director and a member of the Audit Committee under the Board on 26 October 2015 due to a change of job assignments with effect from 28 January 2016. At the 2016 first extraordinary general meeting held on 28 January 2016, Ms. Guo Yanhong was appointed as a non-executive Director to fill the vacancy resulting from the resignation of Mr. Xu Jianyun with a term commencing from 28 January 2016 to the expiry date of the terms of office of the members of the current session of the Board; Mr. Guan Jifa was appointed as a non-executive Director to fill the vacancy resulting from the resignation of Mr. Zhang Jie with a term commencing from 28 January 2016 to the expiry date of the terms of office of the members of the current session of the Board. As approved by the Board, the appointment of Mr. Guan Jifa as a member of the Audit Committee under the Board should take effect from 28 January 2016. For details, please refer to the announcements issued by the Company on 29 October 2015, 9 December 2015 and 28 January 2016.

Mr. Wang Hao tendered his resignation as a non-executive Director of the Company on 1 November 2016 due to re-designation of position with effect from the same day. For details, please refer to the announcement issued by the Company on 1 November 2016.

Mr. Kong Lingbin tendered his resignation as a non-executive Director of the Company on 17 January 2017 due to change of job assignment with effect from 9 March 2017. At the 2017 first extraordinary general meeting held on 9 March 2017, Mr. Yan Lianyuan was appointed as a non-executive Director to fill the vacancy resulting from the resignation of Mr. Kong Lingbin with a term commencing from 9 March 2017 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 announcements issued by the Company on 17 January 2017 and 9 March 2017.

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

CHANGES OF SUPERVISORS

At the 2016 first extraordinary general meeting held on 28 January 2016, Mr. Fu Yanbing was appointed as a shareholder representative Supervisor of the Company to fill the vacancy resulting from the resignation of Mr. Li Wenhong, with effect from 28 January 2016. For details, please refer to the announcement issued by the Company on 28 January 2016. Mr. Fu Yanbing has resigned from his position as a shareholder representative Supervisor of the Company due to re-designation of work, with effect from 15 December 2016. For details, please refer to the announcements issued by the Company on 29 October 2015 and15 December 2016.

Mr. Yao Guanghong tendered his resignation as a Supervisor and the chairman of the Board of Supervisors of the Company on 1 November 2016 due to re-designation of work, which took effect on the same day. For details, please refer to the announcement issued by the Company on 1 November 2016.

At the 2017 first extraordinary general meeting held on 9 March 2017, Mr. Yuan Guoyue was appointed as a shareholder representative Supervisor to fill the vacancy resulting from the resignation of Mr. Yao Guanghong, and the term of his appointment should be from 9 March 2017 until the expiry date of the terms of office of the members of the current session of the Board of Supervisors; Ms. Zhao Hong was appointed as a shareholder representative Supervisor of the Company to fill the vacancy resulting from the resignation of Mr. Fu Yanbing, and the term of her appointment should be from 9 March 2017 until the expiry date of the terms of office of the members of the current session of the Board of Supervisors. At the meeting held by the Board of Supervisors on 9 March 2017, the Company elected Mr. Yuan Guoyue as the chairman of the Board of Supervisors. For details, please refer to the announcements issued by the Company on 27 Dember 2016 and 9 March 2017.

CHANGES OF SENIOR MANAGEMENT

Mr. Li Siguo tendered his resignation as the chief accountant of the Company on 29 June 2016 due to change of job assignment.

The Board considered and passed the proposal on the appointment of deputy general manager and the chief accountant of the Company on 29 June 2016, and agreed to appoint Mr. Yu Songwei as the deputy general manager of the Company and appoint Mr. Xiao Mujun as the chief accountant 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 2016.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

For the year ended 31 December 2016, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or their connected entity has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

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

As at 31 December 2016, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

Name	Position	Nature of interests	Class of Shares	Number of Shares	Approximate percentage of total issued H Share capital (%)	Approximate percentage of total issued Share capital (%)
Wang Liping	Chairman and non-executive Director	Personal interest	H Shares	52,000	0.01	0.004
Wang Hanjun	Executive Director and the General Manager	Personal interest	H Shares	48,000	0.01	0.004
Li Guoqing	Executive Director	Personal interest	H Shares	48,000	0.01	0.004
Mi Jianzhou	Employee representative Supervisor	Personal interest	H Shares	51,000	0.01	0.004
Zhang Wei	Employee representative Supervisor	Personal interest	H Shares	45,000	0.01	0.004
Wang Wenjiang	Employee representative Supervisor	Personal interest	H Shares	51,000	0.01	0.004
Wang Jingang	Employee representative Supervisor	Personal interest	H Shares	40,000	0.01	0.003

Save as disclosed above, as at 31 December 2016, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2016, none of the Directors of the Company had interests in any business that competes or is likely to compete, either directly or indirectly, with the Company's business.

EQUITY-LINKED AGREEMENTS

In 2016, no equity-linked agreements was entered into by or subsisted in the Company, and there was no provision to enter into any agreements which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2016, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if made by the Company).

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of remuneration of the Directors, Supervisors and senior management for the Year are set out in notes 8 and 34 to the financial statements.

For the year ended 31 December 2016, 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	10

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

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2016, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance were as follows:

DOMESTIC SHARES

Name of shareholder	Capacity	Number of Domestic Shares	Nature of interests	Approximate percentage of total issued Domestic Share capital	Approximate percentage of total issued share capital
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 was incorporated by the Beijing Municipal Government.

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

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

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

H SHARES

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Beijing Capital Group Ltd.	Interest of controlled corporations[1]	77,532,000	Long position	19.99%	6.09%
FMR LLC	Investment Manager	30,156,000	Long position	7.77%	2.37%
Pioneer Investment Management Limited	Investment Manager	27,231,000	Long position	7.02%	2.14%
CSR Group	Interest of controlled corporations[2]	26,222,000	Long position	6.76%	2.06%
UBS Group AG	Interest of controlled corporations[3]	23,316,102	Long position	6.01%	1.83%
	Security interest[3]	47,000	Short position	0.01%	0.004%
Pioneer Asset Management S.A.	Investment Manager	19,595,000	Long position	5.05%	1.54%

Notes:

1. Beijing Capital Group Ltd. indirectly held interests in 56,222,000 H Shares of the Company through a number of its controlled corporations, including Beijing Capital Land Ltd. and its controlled corporation, and also indirectly held interests in 21,310,000 H Shares of the Company through Beijing Capital Co., Ltd. and Beijing Capital (Hong Kong) Limited.

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

3. UBS Group AG indirectly held interests in 23,316,102 H Shares (Long position) and 47,000 H Shares (Short position) of the Company through its wholly-owned subsidiaries.

4. According to the information relating to disclosure of interests available on the website of the Hong Kong Stock Exchange, Beijing Enterprises Group Company Limited was still shown as a substantial shareholder of the Company as at 31 December 2016. To the best of knowledge of the Directors, Beijing Enterprises Group Company Limited is no longer a substantial shareholder of the Company and accordingly it is not shown as a substantial shareholder in the table above.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance.

SHARE CAPITAL

The Company's share capital structure as at 31 December 2016 was as follows:

Class of Shares	Number of Shares as at 31 December 2016	Percentage of total number of Shares in issue as at 31 December 2016
Domestic Shares	884,733,000	69.52%
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 2016.

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 2016, the Company had distributable retained earnings of RMB943,152,000, excluding proposed 2016 final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest major customers of the design, survey and consultancy business of the Group accounted for 12.9% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 4.1% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 44.7% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 19.5% 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 19 May 2016, the Company established Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. (北京城建基礎設施投資基金管理有限公司) and held its 100% equity interests, thus that company was a wholly-owned subsidiary of the Company. Its registered capital is RMB100 million and its business scope includes "Investment management and consultancy services of non-securities business. (excluding engagement in the following business: 1. granting loans; 2. publicly trading securities investment or financial derivatives trading; 3. public fund-raising; 4. providing guarantees to enterprises other than the invested entities); financial consulting (excluding engagement in the following businesses that requires specific approval such as auditing, capital verification, accounts audit, assessment, accounting consultancy and bookkeeping agency as well as issue of corresponding written materials such as auditing report, capital verification report, accounts audit report and assessment report); corporate management consulting; economic and trade consulting. (1. Without the approval of relevant authorities, the entity shall not raise funds in public; 2. shall not trade securities products and financial derivatives in public; 3. shall not grant loans; 4. shall not provide guarantee for other enterprises other than the investee entities; 5. shall not promise no loss of principal or the minimum yield to the investor)".

On 7 June 2016, Beijing Shengtong Real Estate Co., Ltd (北京晟通置業發展有限公司) was established by the Company, Beijing Gonglian Transportation Junction Construction Management Co., Ltd. (北京公聯交通樞紐建設管理有限公司) and Beijing Shixing Tengfei Real Estate Co.,Ltd. (北京實興騰飛置業發展公司). Each of the Company, Beijing Gonglian Transportation Junction Construction Management Co., Ltd (北京公聯交通樞紐建設管理有限公司) and Beijing Shixing Tengfei Real Estate Co., Ltd (北京實興騰飛置業發展公司) holds equity interests in the entity of 40%, 30% and 30% respectively. The entity is a joint venture of the Company with registered capital of RMB100 million and its business scope includes "real estate development; property management; sales of self-developed commodity house; hotel management; lease of commercial properties".

On 22 June 2016, the Company and Zunyi New District Construction & Investment Group Co., Ltd (遵義市新區建投集團有限公司) established Guizhou Jingjian Capital Construction Co., Ltd (貴州京建投資建設有限公司). The Company and Zunyi New District Construction & Investment Group Co., Ltd (遵義市新區建投集團有限公司) holds equity interests in the entity of 75% and 25% respectively. The entity is a non-wholly-owned subsidiary of the Company with registered capital of RMB360 million and its business scope includes "businesses prohibited by laws and regulations and resolutions of the State Council shall not be operated; businesses that is subject to license (approval) pursuant to laws, regulations and resolutions of the State Council shall be operated with license (approval) documents after the approval of the approval authorities; businesses that are not in need of license (approval) shall be independently chosen and operated by the market players. (being responsible for investment, financing, construction (including road construction, bridge construction, interchange construction, pipeline engineering, transportation construction, illuminating engineering and other ancillary works) and operation maintenance".

On 18 July 2016, the Company established Beijing Urban Construction Design Research Institute Co., Ltd. (北京城建設計研究院有限公司) as a wholly-owned subsidiary of the Company and holds 100% equity interest in the entity. Its registered capital is RMB30 million and its business scope includes "engineering survey and design; construction and engineering project management; computer system services; technological consultancy, technological services and development, technological transfer; sales of metal materials and chemical products (excluding precursor chemicals in Category I and hazardous chemicals); product imports and exports, technology imports and exports, agency of imports and exports; retail of machinery and equipment".

On 28 July 2016, the Company and Dianzhong Industry Development Group Co. Ltd. (滇中產業發展集團有限公司) established Yunnan Jingjian Capital Construction Co., Ltd. (雲南京建投資建設有限公司). Each of the Company and Dianzhong Development Group Co. Ltd. holds equity interest of 90% and 10%, respectively, in the entity. The entity is a non-wholly-owned subsidiary of the Company. Its registered capital is RMB386.98 million and its business scope includes "engineering project investment, construction and operation maintenance services; advertising design, production and publication; parking lot operation and service".

CONNECTED TRANSACTIONS

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The annual caps for the non-exempt continuing connected transactions of the Group in 2016 and the actual transaction amounts of such continuing connected transaction of the Group in 2016 are set out below:

			2016	
			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	21.00
2.	Integrated Services Framework Agreement:			
	(1)	Revenue generated by the Group from providing services to BUCG, its subsidiaries, and/or associates	42.56	286.00
	(2)	Expenditure incurred by BUCG, its subsidiaries and/or associates for provision of services to the Group	160.98	193.00

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

As disclosed in the prospectus of the Company, the Group has been, in the ordinary and usual course of its businesses, entering into continuing transactions with BUCG, its subsidiaries and/or associates including mutual provision of integrated services. To comply with the requirements of the Hong Kong Listing Rules, the Company entered into the Integrated Services Framework Agreement for a term of about two years and six months commencing from 18 June 2014 and ending on 31 December 2016 with BUCG on 18 June 2014 and set annual caps for the continuing connected transactions thereunder for the three financial years ending 31 December 2016. The annual caps for the revenue were RMB4.71 million, RMB24.56 million and RMB14.57 million respectively and the annual caps for the expenditure were RMB119.17 million, RMB75.81 million and RMB117.39 million respectively.

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

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

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

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

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

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

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

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

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

The Integrated Services Framework Agreement was valid for a term from the date of signing the agreement to 31 December 2016. For details, please refer to the Prospectus of the Company dated 25 June 2014, and the announcement and circular dated 9 December 2015 and 11 December 2015 respectively.

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

As at 31 December 2016, (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 2016 for such transactions was RMB286 million, whereas the actual revenue generated was RMB42.56 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 2016 for such transactions was RMB193 million, whereas the actual expenditure incurred was RMB160.98 million.

As the term of the Integrated Services Framework Agreement as well as the annual caps for the continuing connected transactions thereunder has expired on 31 December 2016, and upon the approval of the 2017 first extraordinary general meeting convened on 9 March 2017, the Company renewed such agreement with BUCG for a further term of three years commencing from 1 January 2017 and ending on 31 December 2019, and set the annual caps for the revenue and expenditure of the continuing connected transactions contemplated thereunder for the next three financial years ending 31 December 2019. For details, please refer to the announcement dated 8 December 2016 and circular dated 19 January 2017 of the Company.

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

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries and/or associates entered into the Property and Land Leasing Framework Agreement dated 18 June 2014 for a term of ten years, and set the annual caps for the continuing connected transactions contemplated thereunder for the three financial years ended 31 December 2016. The annual caps for the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement for the three financial years ended 31 December 2016 are RMB16 million, RMB18 million and RMB21 million respectively.

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

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

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

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

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

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

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

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

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

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

The Property and Land Leasing Framework Agreement is valid from 18 June 2014 to 17 June 2024 with a term of 10 years.

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

As at 31 December 2016, in respect of the expenditure incurred for the lease of properties and land by the Group from BUCG, its subsidiaries, and/or associates, the annual cap in 2016 for such transactions was RMB21 million, whereas the actual revenue was RMB13.62 million.

Since the above-mentioned annual caps under the Property and Land Leasing Framework Agreement have expired on 31 December 2016, in accordance with the relevant requirements of the Hong Kong Listing Rules, on 8 December 2016, the Board resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2019. For details, please refer to the announcement of the Company dated 8 December 2016.

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

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

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

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

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

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

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

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

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

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

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

The Company confirms that the execution and performance of the specific agreements under above continuing connected transactions during the year ended 31 December 2016 were in compliance with the pricing principles of such continuing connected transactions.

NON-EXEMPT CONNECTED TRANSACTIONS

The Non-competition Agreement was entered into by the Company and BUCG on 24 January 2014 and was amended by the Supplemental Agreement I to the Non-competition Agreement signed by the Company and BUCG on 16 June 2014. Pursuant to such agreement, BUCG has undertaken that during the term thereof, among other things, it will not, and (i) will procure its subsidiaries and associates not to, and (ii) will procure its relevant investee companies, through the exercise of its voting rights in such companies, not to: (1) by itself or assist any other to engage or participate in any form, whether directly or indirectly, in any business that competes or will compete or is likely to compete with the core businesses of the Company; or (2) hold any equity or interest in any competing business through any third party.

BUCG and the Company entered into the Supplemental Agreement II to the Non-competition Agreement to add a new provision providing for the co-operations between the Company and BUCG in certain situations on 29 October 2015.

The Directors believe that the Supplemental Agreement II to the Non-competition Agreement will help to improve the Company's position when its ability to bid for certain projects is limited and, through appropriate co-operations with BUCG in defined circumstances, enhance the Company's competitiveness to bid for, and its chance to win, certain large-scale PPP projects and other projects defined in the Supplemental Agreement II to the Non-competition Agreement. This will provide the Company with more opportunities to participate in such engineering and construction projects without having any adverse impact on the Group's interests.

According to the Hong Kong Listing Rules, amending the Non-competition Agreement by entering into the Supplemental Agreement II to the Non-competition Agreement between the Company and BUCG constitutes a connected transaction of the Company 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 2016 first extraordinary general meeting 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.

Save as disclosed above, there is no other related party transaction or continuing related party transaction set out in note 34 to the financial statements which constitutes discloseable connected transactions or continuing connected transactions under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions.

PERFORMANCE OF THE NON-COMPETITION AGREEMENT

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

BUCG stated that for the year ended 31 December 2016, it was not in breach of its undertakings under the Non-Competition Agreement. The independent non-executive Directors of the Company also reviewed the compliance of the Non-Competition Agreement by BUCG during the year 2016, and was of the view that BUCG had not breached the requirements of the Non-Competition Agreement.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, throughout the year ended 31 December 2016 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.

AUDITORS

The financial statements for the Year has been audited by Ernst & Young. In the forthcoming 2016 annual general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2017 will be proposed. They were also the auditors of the Company for at the time of listing and public offering. The Company has not changed its auditors over last three years.

MANAGEMENT CONTRACTS

No contracts regarding the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year of 2016.

By order of the Board
Wang Liping
Chairman

Beijing, 27 March 2017

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders,

During the year of 2016, all members of the Board of Supervisors performed their supervisory duties diligently in accordance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited in a stringent manner, strictly abided by the principle of good faith and through supervision over meetings and focusing on supervision over financial matters, internal control and compliance, 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 December 2016, respectively, at which the proposals 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 2015 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 2016 to monitor the validity and compliance of convening of and proposals and resolutions made during the meetings of the Board and general meetings of the Company, and supervised and reviewed the operation compliance, the major operating activities and the corporate governance structure as well as the performance of Directors and senior management of the Company, and provided suggestions to the Board.

The Board of Supervisors focused on supervision over financial matters, internal control and compliance, supervised and regulated the corporate governance structure, supervised and urged the company to run its business according to laws and regulations, attended to the hot issues that existed in the changes of the Hong Kong Listing Rules and the Company's operations and management within its scope of responsibility, and gave advices and suggestions to the management in respect of compliance adjustment, operation and management strengthening and risk control from the perspective of healthy and sustainable development of the Company. The employee representative Supervisors fully expressed employees' requests in the supervision process, and earnestly protected employees' legal rights and interests.

CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS

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

Mr. Yao Guanghong tendered his resignation as a Supervisor and the chairman of the Board of Supervisors to the Board of Supervisors on 1 November 2016 due to change of job assignments. Mr. Fu Yanbing tendered his resignation as a Supervisor to the Board of Supervisors on 15 December 2016 due to change of job assignments.

On 26 December 2016, after consideration and approval at the seventh meeting of the first session of the Board of Supervisors of the Company, it agreed to nominate Mr. Yuan Guoyue as a Supervisor to fill the vacancy resulting from the resignation of Mr. Yao Guanghong with a term starting from the date of the approval at the extraordinary general meeting of the Company to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. It agreed to nominate Ms. Zhao Hong as a Supervisor to fill the vacancy resulting from the resignation of Mr. Fu Yanbing with a term starting from the date of the approval at the extraordinary general meeting of the Company to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Mr. Yuan Guoyue and Ms. Zhao Hong were appointed as Supervisors respectively on 9 March 2017 following the consideration and approval at the 2017 first extraordinary general meeting of the Company. On 9 March 2017, Mr. Yuan Guoyue was elected as the chairman of the Board of Supervisors after consideration and approval at the meeting of the Board of Supervisors of the Company.

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

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

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

The Company operates compliantly and legally. The Directors and senior management of the Company had loyally performed their duties set forth in the Articles of Association, fully abided by principles of diligence and good faith, and had firmly 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 2016 and the audited annual financial statements for 2016 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. These financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries. Accounting treatments have been applied consistently. The financial accounts are prepared regularly with clear records and complete information.

The Board of Supervisors is fully confident in the development and prospect of the Company. In 2017, the Board of Supervisors will continue to 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 improvement of internal control systems in accordance with the relevant provisions of the Company Law and the Articles of Association and based on its work plan for the year. The Board of Supervisors regards maintaining effective operation and sound development of corporate governance of the Company as its responsibilities, and will strengthen its supervision, broaden the thinking of work, constantly improve its performance capabilities, diligently perform all its duties and earnestly safeguard the interests of the Company, its shareholders and employees.

Chairman of the Board of Supervisors
Yuan Guoyue

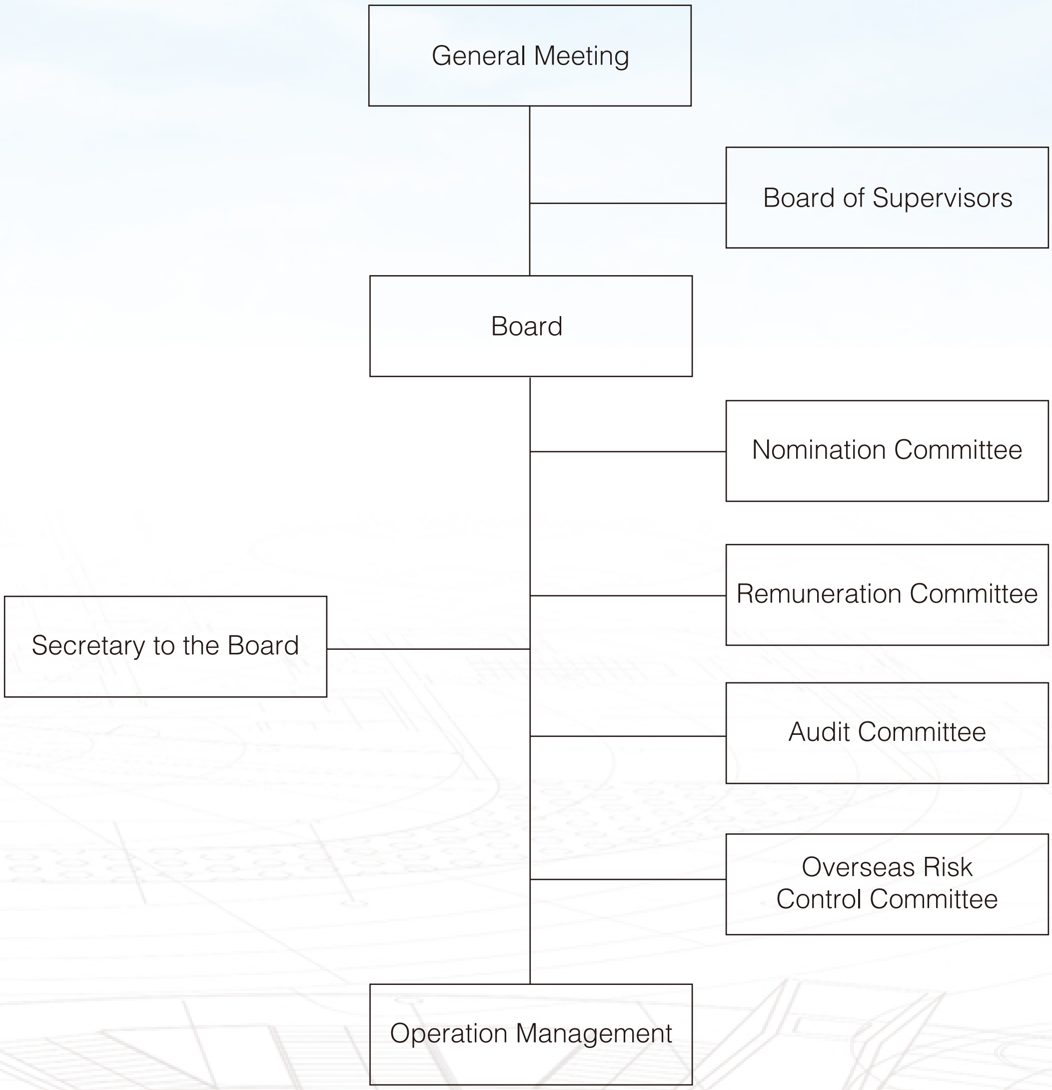
Beijing, 27 March 2017

CORPORATE GOVERNANCE REPORT

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

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 two general meetings in total and submitted 14 proposals to the general meeting. Six Board meetings were convened, at which 34 resolutions were considered and approved.

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

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

COMPOSITION

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

During the Year, the Board comprised the following Directors:

Name	Position	Date of commencement and termination of the current term of office
Mr. Wang Hanjun	Executive Director, General manager	22 October 2013 to 21 October 2016
Mr. Li Guoqing	Executive Director	22 October 2013 to 21 October 2016
Ms. Wang Liping	Non-executive Director, Chairman	22 October 2013 to 21 October 2016
Ms. Guo Yanhong	Non-executive Director	28 January 2016 to 21 October 2016
Mr. Chen Daihua	Non-executive Director	22 October 2013 to 21 October 2016
Mr. Wang Hao	Non-executive Director (resigned on 1 November 2016)	13 November 2014 to 21 October 2016
Mr. Zhang Jie	Non-executive Director (resigned on 28 January 2016)	13 November 2014 to 28 January 2016
Mr. Guan Jifa	Non-executive Director	28 January 2016 to 21 October 2016
Mr. Su Bin	Non-executive Director	22 October 2013 to 21 October 2016
Mr. Kong Lingbin	Non-executive Director (resigned on 9 March 2017)	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 2016 to the date of this report are as follows:

Mr. Zhang Jie resigned as a non-executive Director and a member of the Audit Committee on 26 October 2015 due to change of job assignments, effective from 28 January 2016.

At the 2016 first extraordinary general meeting convened on 28 January 2016, Ms. Guo Yanhong was appointed as a non-executive Director so as to fill the vacancy resulting from the resignation of Mr. Xu Jianyun, for a term starting from 28 January 2016 to the expiry date of the terms of office of the members of the current session of the Board; while Mr. Guan Jifa was appointed as a non-executive Director so as to fill the vacancy resulting from the resignation of Mr. Zhang Jie, for a term starting from 28 January 2016 to the expiry date of the terms of office of the members of the current session of the Board. The appointment of Mr. Guan Jifa as a member of the Audit Committee under the Board took effect from 28 January 2016 upon approval of the Board.

Mr. Wang Hao has resigned from his position as a non-executive Director due to redesignation of work, with effect from 1 November 2016.

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

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

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

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

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

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

DUTIES AND RESPONSIBILITIES:

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

RESPONSIBILITIES OF THE MANAGEMENT

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

CHAIRMAN AND GENERAL MANAGER

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

DIRECTORS TRAINING

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

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

Director	Corporate governance	Laws and regulations	Business management
Executive Directors			
Mr. Wang Hanjun	✔	✔	✔
Mr. Li Guoqing	✔	✔	✔
Non-executive Directors			
Ms. Wang Liping	✔	✔	✔
Ms. Guo Yanhong (appointed on 28 January 2016)	✔	✔	✔
Mr. Chen Daihua	✔	✔	✔
Mr. Wang Hao (resigned on 1 November 2016)	✔	✔	✔
Mr. Zhang Jie (resigned on 28 January 2016)	✔	✔	✔
Mr. Guan Jifa (appointed on 28 January 2016)	✔	✔	✔
Mr. Su Bin	✔	✔	✔
Mr. Kong Lingbin (resigned on 9 March 2017)	✔	✔	✔
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 two general meetings and submitted 14 proposals to the general meeting. Six Board meetings were convened in total, at which 34 proposals were considered and approved. The attendance record of the Board meetings of each Director is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Wang Hanjun	5	5	0
Mr. Li Guoqing	5	4	1
Ms. Wang Liping	6	6	0
Ms. Guo Yanhong (appointed on 28 January 2016)	6	4	1
Mr. Chen Daihua	6	5	1
Mr. Wang Hao (resigned on 1 November 2016)	6	2	2
Mr. Zhang Jie (resigned on 28 January 2016)[Note]	0	0	0
Mr. Guan Jifa (appointed on 28 January 2016)	6	4	1
Mr. Su Bin	6	3	2
Mr. Kong Lingbin (resigned on 9 March 2017)	6	5	0
Mr. Tang Shuchang	6	6	0
Mr. Zhang Fengchao	6	5	1
Mr. Wang Dexing	6	6	0
Mr. Yim Fung	6	4	0
Mr. Sun Maozhu	6	5	1
Mr. Liang Qinghuai	6	6	0

Note: From 1 January 2016 to the resignation date of Mr. Zhang Jie, the Board did not convene any meeting.

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

- the convening of two general meetings and submission of 14 proposals to the general meeting including the audited consolidated financial statements for 2015 and its summary, the Report of the Board of Directors for 2015, the report of final financial accounts for 2015, the investment plans for 2016, the profits distribution plan and the dividend declaration proposal for 2015 and reappointment of auditors, all of which were approved at the general meeting;

- the convening of six Board meetings and consideration and approval of 34 proposals including the profits distribution plan and the dividend declaration proposal for 2015, the completion of investments in 2015 and the investment plan for 2016, the interim results announcement and interim report of the Company for 2016, and the establishment plans of Guizhou Jingjian Capital Construction Co., Ltd.(貴州京建投資建設有限公司) and Yunnan Jingjian Capital Construction Co., Ltd.(雲南京建投資建設有限公司).

NOMINATION COMMITTEE

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

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

During the Year, the Nomination Committee held two meetings in total to consider and pass the proposals of nominating Mr. Xiao Mujun as a candidate for the chief accountant, Mr. Yu Songwei as a candidate for the vice general manager and Mr. Yan Lianyuan as a candidate for the non-executive Director of the Company. 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 (other than independent Directors) and senior management of the Company and conduct an annual appraisal on their performance; to be responsible for supervising the implementation of the remuneration policy of the Company; to ensure neither the Directors nor their associates would determine their individual remuneration on their own; and to be in charge of other matters required by the laws, regulations, the Articles of Association, securities regulatory authorities at the places where the Company's shares are listed and other matters authorised by the Board.

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

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

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

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

During the Year, the Audit Committee held three meetings in total to consider and pass the proposals in respect of the audited result of 2015 annual report, the result of review on 2016 interim report and the review on the audit plan for 2016. 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 (resigned on 28 January 2016)	Non-executive Director	0	0	0
Mr. Guan Jifa (appointed on 28 January 2016)	Non-executive Director	3	1	2

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2016.

EXTERNAL AUDITORS

In 2016, 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 2016 and reviewing the interim financial report of 2016. Other non-audit services provided by the external auditors to the Company include consultancy project on the social, environment and governance report and other services. The remuneration paid by the Company in respect of such non-audit services amounted to RMB333,000 in total.

OVERSEAS RISK CONTROL COMMITTEE

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

As the Company has few overseas operations, and all three committee members conduct interaction and communication by informal meetings regularly. In 2016, the Overseas Risk Control Committee held two meetings to consider the development of the Company's overseas operations. The attendance record of the meetings of the members of the Overseas Risk Control Committee is as follows:

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

INTERESTS HELD BY THE DIRECTORS AND SECURITIES TRANSACTIONS

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

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

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors are responsible for monitoring the preparation of the financial statements for every financial year and ensuring those financial statements provide a true and fair view on the business conditions, operating results and cash flows of the Group in the relevant period. In preparing the financial statements as at 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently, adopted all relevant standards in compliance with the International Financial Reporting Standards, and made a prudent and reasonable judgment and estimation and prepared the financial statements on a going concern basis.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Main Features of the Risk Management and Internal Control Systems

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

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

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

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

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

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

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

Internal Audit Function

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

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

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

- Identifying key business risks: To identify the inherent business risks through optimization of business process.

- Evaluating and measuring the risks: To determine the severity of the risks through evaluation on two dimensions, i.e. the risk impact and the possibility of occurrence, so as to determine the order of priority of risk management.

- Defining the objectives and measures of control: To define the objectives and measures of control catering to the risks identified, and form the internal control matrix.

- Assessing the effectiveness of internal control: To assess the effectiveness of the design and enforcement of internal control by performing the walk-through test and effectiveness test.

- Evaluating the remaining risks: To determine the remaining risks after being effectively controlled with existing control measures, and formulate strategies to address the risks.

- Evaluating and monitoring the internal control regularly: To develop an internal control system to evaluate the effectiveness of internal control regularly.

- Continued improvement: To keep improving the Company's ability to avoid and manage risks through the continued optimization and rectification of weaknesses in the evaluation process.

Procedures of Addressing the Material Deficiencies in the Internal Control System

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

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

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

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

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

BOARD OF SUPERVISORS

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

As at the date of this report, the members of the Board of Supervisors of the Company comprise five Supervisors assumed by the shareholders' representatives, two independent Supervisors and four Supervisors assumed by employee representatives, with a total of 11 Supervisors. During the Year, the Board of Supervisors held two meetings in total and considered and passed two resolutions. It supervised, on behalf of the shareholders, the financial position of the Group, the legitimacy and compliance of the performance of duties by the Directors and senior management, attended the Board meetings and general meetings, and fulfilled its duties diligently.

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

During the period from 1 January 2016 to the date of this report, the changes of the members of the Board of Supervisors are as follows:

At the 2016 first extraordinary general meeting convened on 28 January 2016, Mr. Fu Yanbing was appointed as a shareholder representative supervisor so as to fill the vacancy resulting from the resignation of Mr. Li Wenhong, with effect from 28 January 2016. Mr. Fu Yanbing has resigned from his positions as a shareholder representative supervisor of the Company due to re-designation of work, with effect from 15 December 2016.

Mr. Yao Guanghong has resigned from his positions as a shareholder representative supervisor and the chairman of the Board of Supervisors of the Company due to re-designation of work, with effect from 1 November 2016.

At the 2017 first extraordinary general meeting convened on 9 March 2017, Mr. Yuan Guoyue was appointed as a shareholder representative supervisor so as to fill the vacancy resulting from the resignation of Mr. Yao Guanghong, for a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Ms. Zhao Hong was appointed as a shareholder representative supervisor so as to fill the vacancy resulting from the resignation of Mr. Fu Yanbing, for a term starting from 9 March 2017 to the expiry date of the terms of office of the members of the current session of the Board of Supervisors. Mr. Yuan Guoyue was appointed as the chairman of the Board of Supervisors upon consideration and approval at the meeting of the Board of Supervisors convened on 9 March 2017.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARIES

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

GENERAL MEETING

The general meeting is the supreme authority of the Company. It performs its functions according to law and makes decisions on major issues in relation to the Company. The annual general meetings or extraordinary general meetings provide a channel for the shareholders of the Company to communicate directly with the Board. In 2016, the Company convened one extraordinary general meeting and one annual general meeting in total, at which 14 proposals were considered and approved. All the Directors, Supervisors and senior management personnel shall, as far as practicable, attend the general meeting of the Company. The following is the attendance record of the general meeting of the Directors:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Wang Hanjun	2	0
Mr. Li Guoqing	2	1
Ms. Wang Liping	2	2
Ms. Guo Yanhong (appointed on 28 January 2016)	2	0
Mr. Chen Daihua	2	0
Mr. Wang Hao (resigned on 1 November 2016)	2	0
Mr. Zhang Jie (resigned on 28 January 2016)	0	0
Mr. Guan Jifa (appointed on 28 January 2016)	2	1
Mr. Su Bin	2	0
Mr. Kong Lingbin (resigned on 9 March 2017)	2	1
Mr. Tang Shuchang	2	2
Mr. Zhang Fengchao	2	1
Mr. Wang Dexing	2	1
Mr. Yim Fung	2	0
Mr. Sun Maozhu	2	2
Mr. Liang Qinghuai	2	2

Mr. Wang Hanjun, Ms. Guo Yanhong, Mr. Chen Daihua, Mr. Wang Hao, Mr. Su Bin and Mr. Yim Fung were not able to attend the general meetings held during the Year due to important business arrangement.

RIGHTS OF SHAREHOLDERS

METHODS OF CONVENING EXTRAORDINARY GENERAL MEETINGS

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

PROCEDURES FOR PROPOSING EXTRAORDINARY PROPOSALS AT GENERAL MEETINGS

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

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

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

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

During the Reporting Period, the Company continued to attach importance to network building in order to adapt to the changes of the means of information disclosure required by the Hong Kong Stock Exchange, 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 2015 annual results and 2016 interim results by way of results briefings and roadshows in order to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, holding telephone conferences, attending major investment forums, by telephone and email, etc. and proactively provides investor relations information on the Company's website, with a view to establish and maintain a good relationship with investors.

ARTICLES OF ASSOCIATION

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a vital provider of design, engineering, exploration of rail transit and other related services, the Company actively commits itself to building the urban public transport network, advocates the tenet of green commuting, lowers emissions of urban greenhouse gas while striving for its sustainable development, in order to mitigate the pressure caused by climate changes to social progress in a modern and convenient manner. To realise the harmonious and unified development of all parties, the Company attaches great importance to communications with stakeholders and maintains close communication with parties such as shareholders, governments, customers, employees, suppliers and communities in the course of operation to positively respond to their demands.

The Company strictly adheres to the national environmental laws and regulations with respect to different business sectors. In the course of engineering construction, the Company adopts various control measures on dust and noise and properly disposes construction waste to protect the ecological environment. It also takes measures to reduce consumption of energy and water resources to make the construction become green, civilized and safe, and sets up a comprehensive environmental safety monitor system. The Company endures efforts to build a development platform for employees and perfects the compensation and welfare system which provide opportunities for them to realise greater value. The Company is in concord with communities and carries out targeted charity activities by understanding the needs from disadvantaged groups within such communities. For more information about the Company's environmental, social and governance performance in the Year, please refer to our first upcoming independent Social, Environmental and Governance Report which will be available for viewing and downloading on our website upon publication.

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
ey.com

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

Opinion

We have audited the consolidated financial statements of Beijing Urban Construction Design & Development Group Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 224, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on contracts for services and construction contracts	
The Group derived more than 95% of its revenues from contracts for services and construction contracts that were accounted for by applying the percentage-of-completion ("POC") method. The POC method involved the use of significant management judgement and estimates including estimates of the progress towards completion, the scope of deliveries and services required, total contract costs, remaining costs to completion, total contract revenues and contract risks. In addition, revenue, cost and gross profit realised on such contracts could vary (sometimes significantly) from the Group's original estimates because of changes in conditions. More details are set out in note 5 and note 21 to the consolidated financial statements.	We tested the effectiveness of the Group's relevant internal controls over revenue recognition. We obtained all material contracts for services and construction contracts and reconciled the total contract revenues. We have assessed the appropriateness of the estimation adopted by management in determining the total budgeted costs and the percentage of completion of construction and service as the contract progresses. We tested the occurrence and amounts of actual costs by tracing to the relevant supporting documents. We performed cut-off testing procedures to check whether material costs had been recognised in the appropriate accounting period. We tested the calculation of the POC and revenues recognised under the POC method.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables As at 31 December 2016, the trade receivables of the Group amounted to RMB1,857 million which represented 17.0% of its total assets. The Group assessed whether impairment existed for trade receivables that were individually significant, and collectively for trade receivables that were not individually significant. If the Group determined that no impairment existed for an individually assessed trade receivable, whether significant or not, it included such trade receivable in a group of trade receivables with similar credit risk characteristics and collectively assessed them for impairment. Trade receivables that were individually assessed for impairment and for which an impairment loss was, or continued to be recognised, were not included in a collective assessment of impairment. Impairment test involves the use of significant management judgement and estimates after taking into account the credit risks of the customers, recent historical payment patterns and existence of disputes. More details are set out in note 22 to the consolidated financial statements.	We assessed the impairment of trade receivables by gaining an understanding of the internal control over judgements and estimates exercised by the management during the assessment, and considering whether any circumstances had arisen that may have an impact on the collectability of trade receivables. For impairment allowance determined on individual assessment basis, we assessed the adequacy of impairment allowance determined by management, by reviewing the subsequent receipts after the reporting period, and evaluating whether the respective debtors have been experiencing significant financial difficulty, default or delinquency in interest or principal payments. For impairment allowance determined on collective assessment basis, we reviewed the debtors' ageing profiles and tested the underlying data. We assessed the appropriateness of impairment allowance rate adopted by management, and adequacy of the relevant impairment allowance.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for service concession arrangements The Group engaged in certain service concession arrangements pursuant to which the Group is required to build, operate and transfer the urban road construction projects and receives in return rights to the income arising from the operation of such projects for certain concession periods after the completion of such projects. The measurement of revenue and cost for such service concession arrangements involved the use of significant management judgement and estimates including determination of applicable accounting model, estimation of prevailing market rate of construction gross margins, discounted cash flows during the concession periods. More details are set out in note 5 and note 19 to the consolidated financial statements.	We reviewed the contract terms of the service concession arrangements and assessed the appropriateness of the accounting model adopted and construction gross margins estimated by management. We evaluated the appropriateness of basis and assumptions of the management in preparation of the discounted cash flows projections for the concession periods.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yim Chi Hung Henry.

Ernst & Young
Certified Public Accountants

Hong Kong
27 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	5,090,073	4,008,513
Cost of sales	7	(3,987,039)	(3,174,537)
Gross profit		1,103,034	833,976
Other income and gains	5	171,694	78,993
Selling and distribution expenses		(73,633)	(57,250)
Administrative expenses		(529,830)	(354,558)
Other expenses		(47,061)	(35,575)
Finance costs	6	(59,033)	(4,983)
Share of profits and losses of:			
Joint ventures		(976)	(522)
Associates		2,771	1,842
PROFIT BEFORE TAX	7	566,966	461,923
Income tax expense	9	(88,284)	(64,215)
PROFIT FOR THE YEAR		478,682	397,708
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit plans, net of tax	28	3,370	21,550
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(54)	86
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		3,316	21,636
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		481,998	419,344

	Notes	2016 RMB'000	2015 RMB'000
Profit attributable to			
Owners of the parent		471,950	397,629
Non-controlling interests		6,732	79
		478,682	397,708
Total comprehensive income attributable to			
Owners of the parent		475,266	419,265
Non-controlling interests		6,732	79
		481,998	419,344
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	11	0.37	0.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	356,005	317,756
Prepaid land lease payments	13	31,936	32,646
Intangible assets	14	8,158	8,109
Investments in joint ventures	15	40,105	1,081
Investments in associates	16	15,037	12,771
Available-for-sale investments	17	18,650	8,650
Deferred tax assets	18	81,320	75,198
Financial receivables	19	2,223,132	585,566
Trade receivables	22	14,405	72,714
Prepayments, deposits and other receivables	23	505,308	482,540
Total non-current assets		3,294,056	1,597,031
CURRENT ASSETS			
Prepaid land lease payments	13	710	710
Inventories	20	67,075	49,099
Trade and bills receivables	22	1,850,625	1,513,015
Prepayments, deposits and other receivables	23	767,326	240,914
Amounts due from contract customers	21	2,392,085	1,950,383
Available-for-sale investments	17	–	110,000
Financial receivables	19	9,985	–
Pledged deposits	24	55,404	50,333
Cash and bank balances	24	2,565,852	2,228,119
Total current assets		7,709,062	6,142,573
CURRENT LIABILITIES			
Trade payables	25	2,004,916	1,561,319
Amounts due to contract customers	21	1,651,245	1,254,628
Other payables, advances from customers and accruals	26	1,813,869	1,347,819
Interest-bearing bank and other borrowings	27	80,000	–
Provisions for supplementary retirement benefits	28	3,160	3,160
Tax payable		60,816	60,628
Total current liabilities		5,614,006	4,227,554

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NET CURRENT ASSETS		2,095,056	1,915,019
TOTAL ASSETS LESS CURRENT LIABILITIES		5,389,112	3,512,050
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	1,077	–
Interest-bearing bank and other borrowings	27	1,798,400	410,000
Provisions for supplementary retirement benefits	28	50,460	51,680
Other payables and accruals	26	21,703	36,632
Total non-current liabilities		1,871,640	498,312
Net assets		3,517,472	3,013,738
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	1,272,670	1,272,670
Reserves	30	2,021,498	1,652,754
		3,294,168	2,925,424
Non-controlling interests		223,304	88,314
Total equity		3,517,472	3,013,738

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent								
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	1,272,670	559,136	–	120,627	86	972,905	2,925,424	88,314	3,013,738
Profit for the year	–	–	–	–	–	471,950	471,950	6,732	478,682
Other comprehensive income/(loss) for the year:									
Re-measurement gains on defined benefit plans, net of tax	–	3,370	–	–	–	–	3,370	–	3,370
Exchange differences on translation of foreign operations	–	–	–	–	(54)	–	(54)	–	(54)
Total comprehensive income/(loss) for the year	–	3,370	–	–	(54)	471,950	475,266	6,732	481,998
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	128,698	128,698
Final 2015 dividend declared	–	–	–	–	–	(106,522)	(106,522)	(440)	(106,962)
Appropriation to statutory surplus reserve	–	–	–	38,757	–	(38,757)	–	–	–
Transfer to special reserve (note (i))	–	–	56,345	–	–	(56,345)	–	–	–
Utilisation of special reserve (note (i))	–	–	(56,345)	–	–	56,345	–	–	–
At 31 December 2016	1,272,670	562,506*	–*	159,384*	32*	1,299,576*	3,294,168	223,304	3,517,472

	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 incme 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 operations	–	–	–	–	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 RMB2,021,498,000 (31 December 2015: RMB1,652,754,000) in the consolidated statement of financial position as at 31 December 2016.

Note:

(i) In preparation of these consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2015 and 2016 respectively, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		566,966	461,923
Adjustments for:			
Finance costs	6	59,033	4,983
Foreign exchange differences, net	7	(15,183)	(29,866)
Interest income	5	(143,571)	(27,084)
Share of profits of associates and joint ventures		(1,795)	(1,320)
Gains on disposal of available-for-sale investments	7	(6,961)	(18,019)
Depreciation of items of property, plant and equipment	7	44,984	34,174
Amortisation of intangible assets	7	2,578	2,781
Amortisation of prepaid land lease payments	7	710	710
Impairment of trade receivables, net	7	40,725	25,324
Impairment/(reversal of impairment) of deposits and other receivables, net	7	2,307	(116)
Provision for foreseeable losses on contracts, net	7	3,823	10,227
Loss on disposal of items of property, plant and equipment, net	7	205	141
		553,821	463,858
Increase in inventories		(17,976)	(19,821)
Changes in amounts due from/to contract customers		(48,909)	(224,628)
(Increase)/decrease in trade and bills receivables		(320,027)	161,090
Increase in prepayments, deposits and other receivables		(445,080)	(561,335)
Increase in financial receivables		(1,647,551)	(585,566)
Increase in trade payables		443,597	122,836
Increase/(decrease) in other payables, advances from customers and accruals		410,469	(58,733)
Increase/(decrease) in provisions for supplementary retirement benefits		2,140	(70)

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operations		(1,069,516)	(702,369)
Interest received		18,798	27,077
Income tax paid		(93,141)	(189,915)
Net cash flows used in operating activities		(1,143,859)	(865,207)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment		(36,668)	(44,357)
Payments for acquisition of intangible assets	14	(2,627)	(1,177)
Purchase of available-for-sale investments		(2,350,000)	(3,775,000)
Addition of an investment in an associate		–	(900)
Addition of an investment in a joint venture		(40,000)	–
Proceeds from disposal of items of property, plant and equipment		921	279
Proceeds from disposal of available-for-sale investments		2,456,961	4,588,019
Dividends received from associates and joint ventures		505	385
Decrease in non-pledged time deposits with original maturity of more than three months		84,778	390,344
Increase in pledged deposits		(5,071)	(25,348)
Net cash flows from investing activities		108,799	1,132,245

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital reduction from non-controlling shareholders		–	(3,000)
Interest paid		(47,693)	(4,405)
Dividends paid to shareholders		(106,522)	(93,796)
Dividends paid to non-controlling interests		(440)	(184)
Capital contribution from non-controlling interests		128,698	68,500
Interest-bearing bank and other borrowings		1,468,400	410,000
Net cash flows from financing activities		1,442,443	377,115
NET INCREASE IN CASH AND CASH EQUIVALENTS		407,383	644,153
Cash and cash equivalents at beginning of year		2,143,141	1,469,365
Effect of exchange rate changes on cash and cash equivalents		15,128	29,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	2,565,652	2,143,141

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

– Construction contracting services for urban rail transit and other infrastructures

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 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: Direct	Percentage of equity interest attributable to the Company: Indirect	Principal activities
Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. ("北京城建勘測設計研究院有限責任公司")		The PRC/Mainland China 3 May 1992	RMB30,000,000	100%	–	Surveying, designing and engineering exploration
Beijing Huan'an Engineering Inspection Co., Ltd. ("北京環安工程檢測有限責任公司")		The PRC/Mainland China 18 June 2008	RMB1,000,000	100%	–	Engineering consulting, monitoring and testing

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (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
China Metro Engineering Consulting Co., Ltd. ("中國地鐵工程諮詢有限責任公司")		The PRC/Mainland China 27 October 2006	RMB13,340,000	56.22%	–	Rail transit engineering consulting
Beijing Urban Construction Xingjie Property Management Co., Ltd. ("北京城建興捷物業管理有限公司")		The PRC/Mainland China 21 November 2011	RMB500,000	100%	–	Property management
Beijing Urban Construction Xinjie Consulting Co., Ltd. ("北京城建信捷軌道交通工程諮詢有限公司")		The PRC/Mainland China 2 January 2004	RMB3,000,000	60%	40%	Rail transit engineering consulting
Beijing Urban Construction Zhikong Technology Co., Ltd. ("Zhikong Technology") ("北京城建智控科技有限公司")		The PRC/Mainland China 10 October 2014	RMB30,000,000	60%	–	Technical consulting and technical service
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")		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")		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")		The PRC/Mainland China 20 August 2015	RMB10,000,000	60%	–	Engineering services and development, consulting

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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	
Guizhou Jingjian Capital Construction Investment Co., Ltd. ("Guizhou Jingjian") ("貴州京建投資建設有限公司")	(i)	The PRC/Mainland China 22 June 2016	RMB360,000,000	75%	–	Construction project investment, construction and operation maintenance
Yunnan Jingjian Capital Construction Investment Co., Ltd. ("Yunnan Jingjian") ("雲南京建投資建設有限公司")	(ii)	The PRC/Mainland China 28 July 2016	RMB386,980,000	90%	–	Construction project investment, construction and operation maintenance
Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. ("北京城建基礎設施投資基金管理有限公司")	(iii)	The PRC/Mainland China 19 May 2016	RMB100,000,000	100%	–	Investment management and consultancy services
Beijing Urban Construction Design Research Institute Co., Ltd. ("Design Research Institute") ("北京城建設計研究院有限公司")	(iv)	The PRC/Mainland China 18 July 2016	RMB30,000,000	100%	–	Construction design

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

Notes:

(i) On 22 June 2016, Guizhou Jingjian was established by the Company and Zunyi New District Construction & Investment Group Co., Ltd. ("遵義市新區建投集團有限公司"). The Company owned directly a 75% equity interest in the entity.

(ii) On 28 July 2016, Yunnan Jingjian was established by the Company and Dianzhong Industry Development Group Co., Ltd. ("滇中產業發展集團有限公司"). The Company owned directly a 90% equity interest in the entity.

(iii) On 19 May 2016, Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. was established by the Company. The Company owned directly a 100% equity interest in the entity.

(iv) On 18 July 2016, Design Research Institute was established by the Company. The Company owned directly a 100% 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 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) 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 amendments have had no significant impact on the Group's financial statements.

(b) 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012–2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and its and IAS 28	*Sale or Contribution of Assets between an Investor Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014–2016 Cycle	Amendments to a number of IFRSs[5]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

5 *Annual Improvements 2014–2016 Cycle* has amendments to three standards. Amendments to IFRS 12 will be effective for annual periods beginning on or after 1 January 2017. Amendments to IFRS 1 and Amendments to IAS 28 will be effective for annual periods beginning on or after 1 January 2018

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

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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

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 April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

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

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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*.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

Intangible assets (other than goodwill)

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

Office software

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Service concession arrangements

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

Consideration given by the Grantors

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements (Continued)

Construction or upgrade services

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

Operating services

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

Investments and other financial assets

Initial recognition and measurement

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

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

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 right 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

Revenue recognition

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services

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

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

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

Construction contracts

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Employee benefits

Retirement benefits

(a) Social pension plans

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

(b) Annuity plan

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Retirement benefits (continued)

(c) Supplementary retirement benefits

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Termination benefits

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

Housing fund and other social insurances

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Accounting for service concession arrangements

The Group engages in certain service concession arrangements in which the Group carries out construction work of the urban road for the Grantor and receives in return a right to operate the urban road concerned in accordance with the pre-established conditions set by the Grantor. In accordance with IFRIC 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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

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

Current income tax and deferred income tax

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

Deferred tax assets

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

Impairment of trade receivables

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) Construction contracting – this segment engages in the provision of services relating to urban rail transit and other infrastructures 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 as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities 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 2016

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	2,212,180	2,877,893	–	5,090,073
Intersegment sales	8,722	–	(8,722)	–
Total revenue	2,220,902	2,877,893	(8,722)	5,090,073
Segment results	293,708	186,909	(5,150)	475,467
Interest income	320	133,473	–	133,793
Finance costs	–	(59,033)	–	(59,033)
Profit of segments for the year	294,028	261,349	(5,150)	550,227
Income tax expense				(88,284)
Unallocated interest income				9,778
Unallocated gains on disposal of available-for-sale investments				6,961
Profit for the year				478,682
Segment assets	4,254,357	5,757,563	(526,748)	9,485,172
Corporate and other unallocated assets				1,517,946
Total assets				11,003,118
Segment liabilities	4,194,691	3,757,416	(528,354)	7,423,753
Corporate and other unallocated liabilities				61,893
Total liabilities				7,485,646

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016 (Continued)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Other segment information:				
Share of profits and losses of:				
Joint ventures	(976)	–	–	(976)
Associates	2,771	–	–	2,771
Depreciation	24,246	20,738	–	44,984
Amortisation	3,288	–	–	3,288
Provision for				
– foreseeable losses on contracts	2,159	1,664	–	3,823
– impairment on trade receivables, deposits and other receivables, net	51,075	(8,043)	–	43,032
Investments in joint ventures	40,105	–	–	40,105
Investments in associates	15,037	–	–	15,037
Capital expenditure *	48,625	38,361	–	86,986

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	85,034	1,800	421,803
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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015 (Continued)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
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 liabilities				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

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	
	2016 RMB'000	2015 RMB'000
Mainland China	4,966,086	3,892,938
Other countries	123,987	115,575
	5,090,073	4,008,513

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

(b) Non-current assets

	31 December 2016 RMB'000	31 December 2015 RMB'000
Mainland China	451,241	384,363

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

4. OPERATING SEGMENT INFORMATION (Continued)

Information about two major customers

During the years ended 31 December 2016 and 2015, there were two customers of the Group from which the revenue individually accounted for over 10% of the Group's total revenue.

Year ended 31 December 2016

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

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

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	
	2016 RMB'000	2015 RMB'000
Revenue		
Design, survey and consultancy	2,212,180	1,964,283
Construction contracting	2,877,893	2,044,230
	5,090,073	4,008,513
Other income and gains		
Interest income	143,571	27,084
Gain on disposal of available-for-sale investments	6,961	18,019
Government grants	748	2,797
Foreign exchange gains	15,183	29,866
Others *	5,231	1,227
	171,694	78,993

Note:

* Others mainly represented other miscellaneous gains.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest on bank and other borrowings	59,033	4,983

7. PROFIT BEFORE TAX

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

		Year ended 31 December	
		2016	2015
	Notes	RMB'000	RMB'000
Cost of design, survey and consultancy		1,519,262	1,336,018
Cost of construction contracting		2,467,777	1,838,519
Total cost of sales		3,987,039	3,174,537
Depreciation of items of property, plant and equipment	12/(a)	44,984	34,174
Amortisation of prepaid land lease payments	13	710	710
Amortisation of intangible assets	14	2,578	2,781
Total depreciation and amortisation		48,272	37,665
Impairment of trade receivables, net	22	40,725	25,324
Impairment/(reversal of impairment) of deposits and other receivables, net	23	2,307	(116)
Total impairment losses, net		43,032	25,208
Provision for foreseeable losses on contracts, net		3,823	10,227
Lease expenses under operating lease	(b)	139,918	56,189
Auditor's remuneration		3,150	3,150

7. PROFIT BEFORE TAX (Continued)

	Notes	2016 RMB'000	2015 RMB'000
		Year ended 31 December	
Employee benefit expenses (excluding Directors' and supervisors' remuneration):	(c)		
Wages, salaries and allowances		889,890	758,098
Retirement benefit costs			
– Defined contribution retirement schemes		109,846	96,567
– Defined benefit retirement schemes	28	5,390	3,280
Total retirement benefit costs		115,236	99,847
Welfare and other expenses		202,514	162,273
Total employee benefit expenses		1,207,640	1,020,218
Interest income	5	(143,571)	(27,084)
Government grant	5	(748)	(2,797)
Gain on disposal of available-for-sale investments	5	(6,961)	(18,019)
Loss on disposal of items of property, plant and equipment, net		205	141
Foreign exchange differences, net	5	(15,183)	(29,866)

Notes:

(a) Depreciation of approximately RMB34,492,000 (2015: RMB23,350,000) was included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

(b) Lease expenses of approximately RMB120,595,000 (2015: RMB43,148,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

(c) Employee benefit expenses of approximately RMB866,047,000 (2015: RMB801,679,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

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	
	2016 RMB'000	2015 RMB'000
Fees	680	618
Other emoluments:		
– Salaries, allowances and benefits in kind	1,447	1,456
– Performance-related bonuses	3,512	3,252
– Pension schemes	451	413
	6,090	5,739

Year ended 31 December 2016

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors						
Mr. Wang Hanjun (王漢軍) (Chief executive)		–	249	629	77	955
Mr. Li Guoqing (李國慶)		–	301	628	76	1,005
		–	550	1,257	153	1,960

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

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

Year ended 31 December 2016 (Continued)

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Non-executive Directors						
Ms. Wang Liping (王麗萍)		–	–	–	–	–
Mr. Chen Daihua (陳代華)		–	–	–	–	–
Mr. Su Bin (蘇斌)		–	–	–	–	–
Mr. Kong Lingbin (孔令斌)		–	–	–	–	–
Mr. Zhang Jie (張傑)	(i)	–	–	–	–	–
Mr. Wang Hao (王灝)	(i)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)		–	–	–	–	–
Mr. Guan Jifa (關繼發)	(iii)	–	–	–	–	–
Ms. Guo Yanhong (郭延紅)	(iii)	–	–	–	–	–
		–	–	–	–	–
Independent Non-executive Directors						
Mr. Zhang Fengchao (張鳳朝)		–	–	–	–	–
Mr. Yim Fung (閻峰)		134	–	–	–	134
Mr. Sun Maozhu (孫茂竹)		134	–	–	–	134
Mr. Liang Qinghuai (梁青槐)		134	–	–	–	134
Mr. Wang Dexing (王德興)		134	–	–	–	134
		536	–	–	–	536
Supervisors						
Ms. Mi Jianzhou (彌建洲)		–	248	569	76	893
Mr. Wang Jingang (王金剛)		–	225	459	74	758
Mr. Zhang Wei (張巍)		–	213	774	75	1,062
Mr. Wang Wenjiang (王文江)		–	211	453	73	737
Mr. Yao Guanghong(姚廣紅)	(ii)	–	–	–	–	–
Ms. Nie Kun (聶昆)		–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		72	–	–	–	72
Mr. Zhang Junming (張俊明)		72	–	–	–	72
Mr. Fu Yanbing (傅炎冰)	(iv)	–	–	–	–	–
		144	897	2,255	298	3,594
		680	1,447	3,512	451	6,090

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

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

Year ended 31 December 2015

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors						
Mr. Wang Hanjun (王漢軍) (Chief executive)		–	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)	–	–	–	–	–
Mr. Wang Hao (王灝)	(i)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)		–	–	–	–	–
		–	–	–	–	–
Independent Non-executive Directors						
Mr. Zhang Fengchao (張鳳朝)		–	–	–	–	–
Mr. Yim Fung (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)		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)

	Notes	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	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)		–	206	398	67	671
Mr. Yao Guanghong (姚廣紅)	(ii)	–	–	–	–	–
Ms. Nie Kun (聶昆)		–	–	–	–	–
Mr. Li Wenhong (李文鴻)	(ii)	–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Mr. Ren Chong (任崇)		–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		65	–	–	–	65
Mr. Zhang Junming (張俊明)		65	–	–	–	65
		130	913	1,851	273	3,167
		618	1,456	3,252	413	5,739

Notes:

(i) Mr. Xu Jianyun, Mr. Zhang Jie and Mr. Wang Hao resigned as non-executive directors with effect from 10 February 2015, 28 January 2016 and 1 November 2016 respectively.

(ii) Mr. Li Wenhong and Mr. Yao Guanghong resigned as supervisors with effect from 21 October 2015 and 1 November 2016 respectively.

(iii) Mr. Guan Jifa and Ms. Guo Yanhong were appointed as non-executive directors with effect from 28 January 2016.

(iv) Mr. Fu Yanbing was appointed as a supervisor with effect from 28 January 2016, and resigned as a supervisor with effect from 15 December 2016.

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

(b) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the years ended 31 December 2016 and 2015 is as follows:

	Year ended 31 December	
	2016	2015
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	
	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	1,241	1,276
Performance-related bonuses	6,250	4,851
Pension schemes	379	348
	7,870	6,475

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	
	2016	2015
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	5	4

During the years ended 31 December 2016 and 2015, except for Mr. Zhang Fengchao, no Directors, supervisors, or none of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments. And no emoluments were paid by the Group to the Directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and certain subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2016 and 2015 in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in Mainland China were subject to corporate income tax at a statutory rate of 25%.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2016 and 2015.

		Year ended 31 December	
		2016	2015
	Note	RMB'000	RMB'000
Current income tax – Mainland China		93,329	76,556
Deferred income tax	18	(5,045)	(12,341)
Tax charge for the year		88,284	64,215

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 2016 and 2015 is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before tax	566,966	461,923
Income tax at the statutory income tax rate	141,742	115,481
Effect of different income tax rate for some entities	(48,924)	(45,328)
Tax effect of share of profits and losses of joint ventures and associates	(449)	(330)
Additional tax deduction for research and development expenditure	(5,959)	(6,522)
Expenses not deductible for tax purposes	3,194	3,409
Adjustments in respect of current tax of previous periods	(2,184)	(2,876)
Tax losses not recognised	864	381
Tax charge for the year at the effective rate	88,284	64,215

10. DIVIDENDS

The dividends during the years ended 31 December 2016 and 2015 are set out below:

		Year ended 31 December	
		2016	2015
	Notes	RMB'000	RMB'000
Declared:			
Final dividend – RMB0.0837 (2014: RMB0.0737) per ordinary share	(i)	106,522	93,796
Proposed:			
Final dividend – RMB0.0996 (2015: RMB0.0837) per ordinary share	(ii)	126,758	106,522

Notes:

(i) At the annual general meeting held on 8 June 2016, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2015 of RMB0.0837 per share which amounted to RMB106,522,000 and was settled in July 2016.

(ii) On 27 March 2017, the board of directors proposed the payment of a final dividend of RMB0.0996 per ordinary share in respect of the year ended 31 December 2016, based on the 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.

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 for the year attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	471,950	397,629

	Year ended 31 December	
	2016	2015
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	1,272,670	1,272,670

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2016

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

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB25,895,000 as at 31 December 2016 (2015: RMB29,910,000). 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 2016.

13. PREPAID LAND LEASE PAYMENTS

	Note	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January		33,356	34,066
Amortisation for the year	7	(710)	(710)
Carrying amount at 31 December		32,646	33,356
Portion classified as current assets		(710)	(710)
Non-current portion		31,936	32,646

14. INTANGIBLE ASSETS

Software	Note	2016 RMB'000	2015 RMB'000
At 1 January:			
Cost		21,725	20,548
Accumulated amortisation for the year		(13,616)	(10,835)
Net carrying amount		8,109	9,713
Cost at beginning of the year, net of accumulated amortisation		8,109	9,713
Additions		2,627	1,177
Amortisation provided during the year	7	(2,578)	(2,781)
At 31 December		8,158	8,109
At 31 December:			
Cost		24,352	21,725
Accumulated amortisation for the year		(16,194)	(13,616)
Net carrying amount		8,158	8,109

15. INVESTMENTS IN JOINT VENTURES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	40,105	1,081

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

The above investments are directly held by the Company.

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Share of the joint ventures' assets and liabilities:		
Assets	43,091	1,120
Liabilities	(2,986)	(39)
Net assets	40,105	1,081

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Share of the joint ventures' results:		
Revenue	6,627	2,523
Loss for the year	(976)	(522)
Other comprehensive income	–	–
Total comprehensive loss	(976)	(522)

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2016 and 2015.

16. INVESTMENTS IN ASSOCIATES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	15,037	12,771

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Share of the associates' assets and liabilities:		
Assets	46,807	36,595
Liabilities	(31,770)	(23,824)
Net assets	15,037	12,771

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Share of the associates' results:		
Revenue	49,750	40,951
Profit for the year	2,771	1,842
Other comprehensive income	–	–
Total comprehensive income	2,771	1,842

17. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
Unlisted equity investments, at cost	(i)	8,650	8,650
Other financial assets	(ii)	10,000	110,000
		18,650	118,650
Portion classified as non-current assets		(18,650)	(8,650)
Current portion		–	110,000

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 2016 and 2015 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2016 and 2015 are as follows:

	Note	2016 RMB'000	2015 RMB'000
Deferred tax assets:			
At beginning of the year		75,198	62,857
Deferred tax credited to profit or loss during the year	9	6,122	12,341
At end of the year		81,320	75,198
Deferred tax liabilities:			
At beginning of the year		–	–
Deferred tax charged to profit or loss during the year	9	1,077	–
At end of the year		1,077	–

18. DEFERRED TAX (Continued)

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	48,749	39,231
Provision for impairment of available-for-sale investments	325	325
Provision for foreseeable losses on construction and service contracts	2,937	3,272
Accrued employee costs	22,123	19,699
Differences on depreciation of property, plant and equipment	–	4,604
Unrealised gains arising from intra-group transactions	3,937	5,493
Unrealised discount expenses	393	1,094
Tax losses	2,856	1,480
	81,320	75,198
Deferred tax liabilities:		
Differences on depreciation of property, plant and equipment	1,077	–

The Group has tax losses arising in Hong Kong of RMB2,481,000 (2015: RMB2,046,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB975,000 (2015: RMB173,000) that will expire in one to five years for offsetting against future taxable profits.

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

19. FINANCIAL RECEIVABLES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Receivables for service concession arrangements	2,233,117	585,566
Portion classified as non-current assets	(2,223,132)	(585,566)
Current portion	9,985	–

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

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

At 31 December 2016, the Group's financial receivables of RMB1,728,353,000 (2015: RMB585,566,000) were pledged to secure a certain of the Group's bank loans (note 27).

20. INVENTORIES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Raw materials	58,619	41,051
Spare parts and consumables	8,456	8,048
	67,075	49,099

21. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Construction contracts

	31 December 2016 RMB'000	31 December 2015 RMB'000
Amount due from contract customers	555,341	451,052
Amount due to contract customers	(126,528)	(41,053)
	428,813	409,999

	31 December 2016 RMB'000	31 December 2015 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	19,880,810	16,984,834
Less: Progress billings received and receivable	(19,451,997)	(16,574,835)
	428,813	409,999

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

Contracts for services

	31 December 2016 RMB'000	31 December 2015 RMB'000
Amount due from contract customers	1,836,744	1,499,331
Amount due to contract customers	(1,524,717)	(1,213,575)
	312,027	285,756

	31 December 2016 RMB'000	31 December 2015 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	13,392,668	11,225,573
Less: Progress billings received and receivable	(13,080,641)	(10,939,817)
	312,027	285,756

22. TRADE AND BILLS RECEIVABLES

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

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade receivables		2,082,241	1,769,719
Impairment		(225,065)	(184,340)
Trade receivables, net		1,857,176	1,585,379
Bills receivable		7,854	350
		1,865,030	1,585,729
Portion classified as non-current assets	(i)	(14,405)	(72,714)
Current portion		1,850,625	1,513,015

Note:

(i) The non-current portion of trade receivables mainly represents the amounts of receivables for retentions held by customers at 31 December 2016 and 2015.

22. TRADE AND BILLS RECEIVABLES (Continued)

At 31 December 2016 and 2015, the amounts of retentions held by customers for contract works included in trade receivables were approximately as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Amounts of retentions in trade receivables	79,061	68,456

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	702,550	537,583
3 months to 6 months	279,897	155,319
6 months to 1 year	408,517	135,195
1 to 2 years	182,321	453,750
2 to 3 years	164,719	209,381
3 to 4 years	78,174	65,340
4 to 5 years	32,440	24,264
Over 5 years	8,558	4,547
	1,857,176	1,585,379

22. TRADE AND BILLS RECEIVABLES (Continued)

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

	2016 RMB'000	2015 RMB'000
At beginning of the year	184,340	159,016
Impairment losses recognised	51,552	25,324
Impairment losses reversed	(10,827)	–
At end of the year	225,065	184,340

Included in the above provision for impairment of trade receivables were provisions for individually impaired trade receivables of RMB82,517,000 and RMB64,778,000 with aggregate carrying amounts before provision of RMB266,457,000 and RMB429,049,000 as at 31 December 2016 and 2015 respectively.

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Neither past due nor impaired	982,447	692,902

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

22. TRADE AND BILLS RECEIVABLES (Continued)

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Beneficial Shareholders and their affiliates	563,724	543,292
BUCG	23,342	7,676
Fellow subsidiaries	2,090	1,775
An associate	1,342	590
A shareholder holding a 6.09% interest in the Company	1,276	901
An associate of BUCG	403	–
A subsidiary of associates of BUCG	–	2,000
	592,177	556,234

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

Note:

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Deposits and other receivables		1,104,857	629,609
Provision for impairment of deposits and other receivables		(11,921)	(9,614)
		1,092,936	619,995
Prepayments		132,024	102,573
Deductible VAT		47,674	–
Interest receivables		–	704
Dividend receivables		–	182
		1,272,634	723,454
Portion classified as non-current assets	(i)	(505,308)	(482,540)
Current portion		767,326	240,914

Note:

(i) The non-current portion of deposits and other receivables mainly represents reimbursed expenses on behalf of the customers and performance guarantee amounts held by customers at 31 December 2016 and 2015.

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

	2016 RMB'000	2015 RMB'000
At beginning of the year	9,614	9,730
Impairment losses recognised	4,719	1,790
Impairment losses reversed	(2,412)	(1,906)
At end of the year	11,921	9,614

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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 RMB5,711,000 as at 31 December 2016 and 2015, respectively.

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Neither past due nor impaired	1,066,481	585,781

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Associates	30,027	23,921
A joint venture	1,537	1,333
Fellow subsidiaries	1,523	1,572
Beneficial Shareholders and their affiliates	64	2,137
BUCG	–	3,170
A subsidiary of an associate of BUCG	–	2,500
	33,151	34,633

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement, except for the other receivables of RMB481,406,000 (2015: RMB450,000,000) were pledged to secure a certain of the Group's bank loans (note 27) and the amounts due from an associate of RMB1,500,000 bear interest at 10% per annum.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash and bank balances	2,607,822	2,021,015
Time deposits	13,434	257,437
	2,621,256	2,278,452
Less: Pledged bank balances for bidding guarantees and performance guarantees	(55,404)	(50,333)
Cash and bank balances in the consolidated statement of financial position	2,565,852	2,228,119
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(200)	(84,978)
Cash and cash equivalents in the consolidated statement of cash flows	2,565,652	2,143,141
Cash and bank balances and time deposits denominated in:		
– RMB	2,382,850	1,976,932
– Other currencies	238,406	301,520
	2,621,256	2,278,452

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

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

25. TRADE PAYABLES

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within 6 months	863,787	629,237
6 months to 1 year	289,426	287,687
1 to 2 years	499,956	335,609
2 to 3 years	206,362	165,483
Over 3 years	145,385	143,303
	2,004,916	1,561,319

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Fellow subsidiaries	155,379	94,243
Associates of BUCG	146,969	110,646
Beneficial Shareholders and their affiliates	7,582	–
Associates	4,761	2,308
A joint venture	–	812
	314,691	208,009

26. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Advances from customers		988,765	754,238
Accrued salaries, wages and benefits		347,490	304,396
Other taxes payable		296,302	154,139
Retention payables		76,015	91,868
Interest payable		11,918	–
Other payables		115,082	79,810
		1,835,572	1,384,451
Portion classified as non-current liabilities	(i)	(21,703)	(36,632)
Current portion		1,813,869	1,347,819

Note:

(i) The non-current portion mainly represents the performance guaranteed amounts from sub-contractors and suppliers of the Group at 31 December 2016 and 2015.

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Beneficial Shareholders and their affiliates	277,348	211,498
Associates of BUCG	10,694	10,507
A non-controlling shareholder	10,078	–
An associate	8,558	8,415
Fellow subsidiaries	6,617	6,909
BUCG	5,578	3,640
	318,873	240,969

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2016			31 December 2015		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Non-current						
Long term bank loans:						
– secured (i)	4.90%	2018–2027	1,290,000	4.90%	2017–2020	410,000
Long term other borrowings:						
– unsecured	4.90%	2019–2026	508,400			–
			1,798,400			410,000
Current						
Current portion of long term bank loans:						
– secured (i)	4.90%	2017	80,000			–
			1,878,400			410,000
Denominated in:						
– RMB			1,878,400			410,000

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2016 and 2015 is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	80,000	–
In the second year	160,000	80,000
In the third to fifth years, inclusive	400,000	330,000
Beyond fifth years	730,000	–
	1,370,000	410,000
Other borrowings repayable:		
In the third to fifth years, inclusive	250,400	–
Beyond fifth years	258,000	–
	508,400	–
	1,878,400	410,000

Note:

(i) The bank loans of RMB1,370,000,000 (2015: RMB410,000,000) were secured by the right of future receivables for a certain service concession arrangement.

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
A non-controlling shareholder	508,400	–

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

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

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2016 and 2015 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悦資詢公司) using the projected unit credit actuarial valuation method.

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

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
At end of the year	53,620	54,840
Portion classified as current liabilities	(3,160)	(3,160)
Non-current portion	50,460	51,680

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (Continued)

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

	2016 RMB'000	2015 RMB'000
At beginning of the year	54,840	76,460
Interest costs on benefit obligations	1,600	2,770
Current service costs	840	510
Past service costs	2,950	–
Benefits paid during the year	(3,240)	(3,350)
Re-measurement gains recognised in other comprehensive income	(3,370)	(21,550)
At end of the year	53,620	54,840

The details of re-measurement (gains)/losses recognised in other comprehensive income of the Group during the years ended 31 December 2016 and 2015 are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Actuarial changes arising from changes in financial assumptions	(3,680)	4,890
Liability experience adjustments	310	(26,440)
Re-measurement gains recognised in other comprehensive income	(3,370)	(21,550)

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (Continued)

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Interest costs on benefit obligations	1,600	2,770
Current service costs	840	510
Past service costs	2,950	–
	5,390	3,280

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Discount rates	3.50%	3.00%
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%

28. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (Continued)

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2016 and 2015 are as follows: (Continued)

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Average life expectancy	43.1 years	43.0 years

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at the end of 31 December 2016 and 2015 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 2016				
Discount rate	0.25	(1,690)	(0.25)	1,790
Future medical expense	0.25	520	(0.25)	(500)
As at 31 December 2015				
Discount rate	0.25	(1,720)	(0.25)	1,820
Future medical expense	0.25	630	(0.25)	(600)

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 2016 and 2015.

29. SHARE CAPITAL

	31 December 2016		31 December 2015	
	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

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2016 and 2015 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 bank loans are disclosed in note 24 and note 27 to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2016 and 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year	95,355	42,096
In the second to fifth years, inclusive	123,628	99,083
After five years	3,436	10,633
	222,419	151,812

33. COMMITMENTS

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	–	4,550

34. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	291,758	296,360
BUCG	29,613	19,105
Fellow subsidiaries	12,945	9,142
Associates of BUCG	1,292	–
A shareholder holding a 6.09% interest in the Company	332	406
Associates	110	–
	336,050	325,013
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	781,184	742,720
Construction contracting services provided by:		
Associates of BUCG	217,769	132,183
Fellow subsidiaries	160,983	38,701
Affiliates of beneficial shareholders	–	469
	378,752	171,353

34. RELATED PARTY TRANSACTIONS (Continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015: (Continued)

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Design, survey and consultancy services provided by:		
Associates	21,010	17,023
Associates of BUCG	1,000	818
A joint venture	–	2,420
	22,010	20,261
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	11,456	11,456
BUCG	2,164	2,164
	13,620	13,620
Borrowings provided by:		
A non-controlling shareholder	508,400	–
Finance costs payable to:		
A non-controlling shareholder	10,078	–

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

34. RELATED PARTY TRANSACTIONS (Continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015: (Continued)

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 2016 and 2015 were nil and RMB149 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 2016 and 2015, the balances of the relevant letters of guarantee were RMB68 million and RMB37 million respectively. Due to the Reorganisation, BUCG transferred the operation related to urban rail transit construction contracting services to the Company. The titles 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 2016 and 2015 were RMB13 million and RMB11 million, respectively.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the years ended 31 December 2016 and 2015, 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.

34. RELATED PARTY TRANSACTIONS (Continued)

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Design, survey and consultancy services provided to:		
BUCG	29,613	19,105
Fellow subsidiaries	12,945	9,142
	42,558	28,247
Construction contracting services provided by:		
Fellow subsidiaries	160,983	38,701
An associate of BUCG	–	64,907
	160,983	103,608
Rental expenses and property management fees paid or payable to:		
BUCG	2,164	2,164
Fellow subsidiaries	11,456	11,456
	13,620	13,620

(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.

34. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Short term employee benefits	8,557	6,976
Pension scheme	728	622
	9,285	7,598

(e) Commitments with related parties

As at 31 December 2016, 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 certain Beneficial Shareholder and a Beneficial Shareholder's affiliate, the Company was engaged to build certain subways and the backlog as at 31 December 2016 amounted to RMB1,773 million (31 December 2015: RMB1,789 million).

Pursuant to certain design services contracts signed by the Company and certain Beneficial Shareholders and its affiliates and BUCG, the Company was engaged to design certain subways and industrial and civil construction and municipal engineering and the backlog as at 31 December 2016 amounted to RMB994 million (31 December 2015: RMB1,099 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 2016 RMB'000	31 December 2015 RMB'000
Financial assets		
Available-for-sale financial investments:		
Available-for-sale investments	18,650	118,650
Loans and receivables:		
Trade and bills receivables	1,865,030	1,585,729
Financial receivables	2,233,117	585,566
Financial assets included in prepayments, deposits and other receivables	1,092,936	620,881
Pledged deposits	55,404	50,333
Cash and bank balances	2,565,852	2,228,119
	7,830,989	5,189,278
Financial liabilities		
Financial liabilities at amortised cost:		
Interest-bearing bank and other borrowings	1,878,400	410,000
Trade payables	2,004,916	1,561,319
Financial liabilities included in other payables, advances from customers and accruals	196,015	171,678
	4,079,331	2,142,997

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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments	10,000	110,000	10,000	110,000
Loans and receivables:				
Trade and bills receivables, non-current portion	14,405	72,714	14,364	72,507
Financial receivables	2,233,117	585,566	2,386,233	584,900
Financial assets included in prepayments, deposits and other receivables, non-current portion	505,308	470,540	504,696	470,468
	2,762,830	1,238,820	2,915,293	1,237,875
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings, non-current portion	1,798,400	410,000	1,798,400	410,000
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	14,703	36,632	14,695	35,655
	1,813,103	446,632	1,813,095	445,655

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

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

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.

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

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

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

The fair value of unlisted available-for-sale equity investments cannot be measured reliably because they do not have quoted market prices in an active market and the range of reasonable fair value estimate is so significant.

Fair value hierarchy:

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

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

Assets measured at fair value:

31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Wealth investment products	–	10,000	–	10,000

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:				
Wealth investment products	–	110,000	–	110,000

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

Assets for which fair values are disclosed:

31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables, non-current portion	–	14,364	–	14,364
Financial receivables	–	2,386,233	–	2,386,233
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	504,696	–	504,696
	–	2,905,293	–	2,905,293

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

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

Liabilities for which fair values are disclosed:

31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	1,798,400	–	1,798,400
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	14,695	–	14,695
	–	1,813,095	–	1,813,095

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 and other borrowings, non-current portion	–	410,000	–	410,000
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	35,655	–	35,655
	–	445,655	–	445,655

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to profit or loss as incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis point	Increase/(decrease) in profit before tax 2016 RMB'000	2015 RMB'000
Market interest rates	1%	(5,255)	(979)
Market interest rates	(1%)	5,255	979

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, it is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and bank balances and pledged deposits at the end of the reporting period are disclosed in note 24 to the financial statements.

The following tables indicate the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure during the years ended 31 December 2016 and 2015. The sensitivity analysis is on bank deposits in United States dollars and Hong Kong dollars.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk (Continued)

Effects on profit before tax

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit before tax 2016 RMB'000	2015 RMB'000
If RMB weakens against the United States dollar	5%	82,042	68,070
If RMB strengthens against the United States dollar	(5%)	(82,042)	(68,070)
If RMB weakens against the Hong Kong dollar	5%	19	3,542
If RMB strengthens against the Hong Kong dollar	(5%)	(19)	(3,542)

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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

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

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

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

Concentrations of credit risk are managed by customer and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of Group's trade receivables are widely dispersed in different regions.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2016			
Interest-bearing bank and other borrowings	170,798	2,214,539	2,385,337
Trade payables	2,004,916	–	2,004,916
Financial liabilities included in other payables and accruals	181,312	15,428	196,740
	2,357,026	2,229,967	4,586,993
31 December 2015			
Interest-bearing bank and other borrowings	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
	1,716,455	484,801	2,201,256

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 2016 and 2015.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) **Capital management** (Continued)

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Interest-bearing bank and other borrowings	1,878,400	410,000
Trade payables	2,004,916	1,561,319
Financial liabilities included in other payables and accruals	196,015	171,678
Cash and bank balances	(2,565,852)	(2,228,119)
Pledged deposits	(55,404)	(50,333)
Net debt/(net cash)	1,458,075	(135,455)
Total equity	3,517,472	3,013,738
Capital and net debt/(net cash)	4,975,547	2,878,283
Gearing ratio	29%	N/A

38. EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 10 to the financial statements, the board of directors of the Company proposed on 27 March 2017, a final dividend of RMB0.0996 per share in respect of the year ended 31 December 2016. 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 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	143,168	282,081
Prepaid land lease payments	31,936	32,646
Intangible assets	6,406	7,165
Investments in subsidiaries	1,497,673	619,391
Investments in joint ventures	42,450	2,450
Investments in associates	5,600	5,600
Available-for-sale investments	13,650	3,650
Deferred tax assets	54,705	53,111
Trade receivables	87,920	72,714
Prepayments, deposits and other receivables	17,960	27,503
Total non-current assets	1,901,468	1,106,311

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 2016 RMB'000	31 December 2015 RMB'000
CURRENT ASSETS		
Prepaid land lease payments	710	710
Inventories	26,336	46,918
Trade and bills receivables	1,338,612	1,531,002
Prepayments, deposits and other receivables	417,837	239,797
Amounts due from contract customers	1,693,101	1,507,074
Available-for-sale investments	–	110,000
Pledged deposits	47,930	39,264
Cash and bank balances	1,776,970	1,897,574
Total current assets	5,301,496	5,372,339
CURRENT LIABILITIES		
Trade payables	1,423,321	1,429,347
Amounts due to contract customers	1,222,246	1,027,527
Other payables, advances from customers and accruals	1,424,054	1,114,928
Provisions for supplementary retirement benefits	2,570	2,590
Tax payable	22,322	40,049
Total current liabilities	4,094,513	3,614,441
NET CURRENT ASSETS	1,206,983	1,757,898
TOTAL ASSETS LESS CURRENT LIABILITIES	3,108,451	2,864,209

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 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT LIABILITIES		
Provisions for supplementary retirement benefits	39,264	40,644
Other payables and accruals	13,604	36,496
Total non-current liabilities	52,868	77,140
Net assets	3,055,583	2,787,069
EQUITY		
Share capital	1,272,670	1,272,670
Reserves (note)	1,782,913	1,514,399
Total equity	3,055,583	2,787,069

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 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	–
As at 31 December 2015 and 1 January 2016	565,793	120,627	–	827,979	1,514,399
Profit for the year	–	–	–	387,210	387,210
Other comprehensive income	2,150	–	–	–	2,150
Total comprehensive income for the year	2,150	–	–	387,210	389,360
Final 2015 dividend declared	–	–	–	(106,522)	(106,522)
Appropriation to statutory surplus reserve	–	38,757	–	(38,757)	–
Transfer to a subsidiary	(14,324)	–	–	–	(14,324)
Transfer to special reserve	–	–	42.627	(42.627)	–
Utilisation of special reserve	–	–	(42.627)	42.627	–
At 31 December 2016	553,619	159,384	–	1,069,910	1,782,913

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 27 March 2017.

By order of the Board
Beijing Urban Construction Design & Development Group Co., Limited
Wang Liping
Chairman

Beijing, 27 March 2017

As at the date of this announcement, the executive Directors of the Company are Wang Hanjun and Li Guoqing; the non-executive Directors of the Company are Wang Liping, Chen Daihua, Guo Yanhong, Guan Jifa, Su Bin, Yan Lianyuan and Tang Shuchang; and the independent non-executive Directors of the Company are Zhang Fengchao, Wang Dexing, Yim Fung, Sun Maozhu and Liang Qinghuai.