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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

The board of directors (the "**Board**") of Beijing Urban Construction Design & Development Group Co., Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 ("**2017**" or the "**Reporting Period**") in conjunction with the comparative financial data of the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
REVENUE	4	**6,972,545**	5,090,073
Cost of sales	6	**(5,629,327)**	(3,987,039)
Gross profit		**1,343,218**	1,103,034
Other income and gains	4	**271,064**	171,694
Selling and distribution expenses		**(96,636)**	(73,633)
Administrative expenses		**(610,998)**	(529,830)
Other expenses		**(158,732)**	(47,061)
Finance costs	5	**(141,244)**	(59,033)
Share of profits and losses of:			
Joint ventures		**(1,659)**	(976)
Associates		**3,742**	2,771
PROFIT BEFORE TAX	6	**608,755**	566,966
Income tax expense	7	**(96,746)**	(88,284)
PROFIT FOR THE YEAR		**512,009**	478,682
Profit attributable to:			
Owners of the parent		**495,919**	471,950
Non-controlling interests		**16,090**	6,732
		512,009	478,682

	Notes	**2017** **RMB'000**	2016 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(loss) on defined benefit plans, net of tax		**(4,880)**	3,370
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments, net of tax		**1,252**	–
Exchange differences on translation of foreign operations		**195**	(54)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,433)**	3,316
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**508,576**	481,998
Total comprehensive income attributable to:			
Owners of the parent		**492,486**	475,266
Non-controlling interests		**16,090**	6,732
		508,576	481,998
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	9	**0.39**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**435,912**	356,005
Prepaid land lease payments		**226,310**	31,936
Intangible assets		**6,185**	8,158
Investments in joint ventures		**38,445**	40,105
Investments in associates		**103,192**	15,037
Available-for-sale investments		**19,902**	18,650
Deferred tax assets		**105,541**	81,320
Financial receivables		**3,641,891**	2,223,132
Trade receivables	10	**33,421**	14,405
Prepayments, deposits and other receivables		**371,702**	505,308
Total non-current assets		**4,982,501**	3,294,056
CURRENT ASSETS			
Prepaid land lease payments		**5,163**	710
Inventories		**79,616**	67,075
Trade and bills receivables	10	**2,357,225**	1,850,625
Prepayments, deposits and other receivables		**1,363,596**	767,326
Amounts due from contract customers		**1,941,949**	2,392,085
Financial receivables		**208,730**	9,985
Pledged deposits	11	**21,177**	55,404
Cash and bank balances	11	**3,381,887**	2,565,852
Total current assets		**9,359,343**	7,709,062

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
CURRENT LIABILITIES			
Trade payables	12	**2,677,859**	2,004,916
Amounts due to contract customers		**1,531,631**	1,651,245
Other payables, advances from customers and accruals		**2,221,156**	1,813,869
Interest-bearing bank and other borrowings		**230,000**	80,000
Provisions for supplementary retirement benefits		**3,650**	3,160
Tax payable		**57,616**	60,816
Total current liabilities		**6,721,912**	5,614,006
NET CURRENT ASSETS		**2,637,431**	2,095,056
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,619,932**	5,389,112
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,073**	1,077
Interest-bearing bank and other borrowings		**3,077,432**	1,798,400
Provisions for supplementary retirement benefits		**58,530**	50,460
Other payables and accruals		**297,579**	21,703
Total non-current liabilities		**3,436,614**	1,871,640
Net assets		**4,183,318**	3,517,472

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**1,348,670**	1,272,670
Reserves		**2,571,906**	2,021,498
		3,920,576	3,294,168
Non-controlling interests		**262,742**	223,304
Total equity		**4,183,318**	3,517,472

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

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

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

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

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

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

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

	Notes	**2017** **RMB'000**	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the employee stock ownership scheme		**260,680**	–
Interest paid		**(136,364)**	(47,693)
Dividends paid to shareholders		**(126,758)**	(106,522)
Dividends paid to non-controlling shareholders		**(573)**	(440)
Capital contribution from non-controlling shareholders		**28,421**	128,698
Capital withdrawal from non-controlling shareholders		**(4,500)**	–
New bank and other borrowings		**1,509,032**	1,468,400
Repayment of bank and other borrowings		**(80,000)**	–
Net cash flows from financing activities		**1,449,938**	1,442,443
NET INCREASE IN CASH AND CASH EQUIVALENTS		**828,658**	407,383
Cash and cash equivalents at beginning of year		**2,565,652**	2,143,141
Effect of exchange rate changes on cash and cash equivalents		**(12,623)**	15,128
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**3,381,687**	2,565,652

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

– Construction contracting services for urban rail transit and the service concession arrangements under the BOT arrangements

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

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

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Anhui Jingjian Capital Construction Investment Co., Ltd. ("安徽京建投資建設有限公司")		The PRC/Mainland China 12 May 2015	RMB500,000,000	88%	–	Construction project investment, construction and operation maintenance
Ningbo Zhongchengyun Modern Transportation Operation Corp. Ltd. ("寧波中城運現代交通運營股份有限公司")		The PRC/Mainland China 26 May 2015	RMB5,500,000	100%	–	Urban public transportation operation, maintenance, management, and services
Beijing Urban Rail Transit Construction Engineering Co., Ltd. ("北京城建軌道交通建設工程有限公司")		The PRC/Mainland China 21 September 2015	RMB300,000,000	100%	–	Construction contracting
Rail Transit Energy Conservation Beijing Engineering Research Center Co., Ltd. ("軌道交通節能北京市工程研究中心有限公司")		The PRC/Mainland China 20 August 2015	RMB10,000,000	60%	–	Engineering services and development, consulting
Guizhou Jingjian Capital Construction Investment Co., Ltd. ("貴州京建投資建設有限公司")		The PRC/Mainland China 22 June 2016	RMB360,000,000	75%	–	Construction project investment, construction and operation maintenance
Yunnan Jingjian Capital Construction Investment Co., Ltd. ("雲南京建投資建設有限公司")		The PRC/Mainland China 28 July 2016	RMB386,980,000	90%	–	Construction project investment, construction and operation maintenance

Company name*	Note	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. ("北京城建基礎設施投資基金管理有限公司")		The PRC/Mainland China 19 May 2016	RMB100,000,000	100%	–	Investment management and consultancy services
Beijing Urban Construction Design Research Institute Co., Ltd. ("北京城建設計研究院有限公司")		The PRC/Mainland China 18 July 2016	RMB30,000,000	100%	–	Construction design
Beijing Jingjian Shuncheng Construction Investment Co., Ltd. ("Beijing Jingjian") ("北京京建順城建設投資有限公司")	(i)	The PRC/Mainland China 8 August 2017	RMB700,000,000	70%	–	Project investment and railway operation management

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

Note:

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

All the subsidiaries are limited liability companies.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

Year ended 31 December 2017

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

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

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

	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

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about two major customers

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

Year ended 31 December 2017

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

Year ended 31 December 2016

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

* Others mainly represented other miscellaneous gains.

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cost of design, survey and consultancy		**2,061,403**	1,519,262
Cost of construction contracting		**3,567,924**	2,467,777
Total cost of sales		**5,629,327**	3,987,039
Depreciation of items of property, plant and equipment	(a)	**37,264**	44,984
Amortisation of prepaid land lease payments		**4,053**	710
Amortisation of intangible assets		**3,134**	2,578
Total depreciation and amortisation		**44,451**	48,272
Impairment of trade receivables, net		**78,457**	40,725
Impairment of deposits and other receivables, net		**4,695**	2,307
Impairment of amounts due from contract customers, net		**23,572**	–
Total impairment losses, net		**106,724**	43,032
Provision for foreseeable losses on contracts, net		**39,098**	3,823
Lease expenses under operating lease	(b)	**170,119**	139,918
Auditor's remuneration		**3,380**	3,150
Employee benefit expenses (excluding Directors' and supervisors' remuneration):	(c)		
Wages, salaries and allowances		**1,159,373**	924,353
Retirement benefit costs			
– Defined contribution retirement schemes		**120,675**	109,846
– Defined benefit retirement schemes		**6,670**	5,390

		Year ended 31 December	
		2017	2016
	Notes	**RMB'000**	RMB'000
Total retirement benefit costs		**127,345**	115,236
Welfare and other expenses		**202,249**	168,051
Total employee benefit expenses		**1,488,967**	1,207,640
Interest income	4	**(265,935)**	(143,571)
Government grant	4	**(205)**	(748)
Gain on disposal of available-for-sale investments	4	**(1,975)**	(6,961)
Loss on disposal of items of property, plant and equipment, net		**92**	205
Foreign exchange differences, net		**12,818**	(15,183)

Notes*:*

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

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

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

7. INCOME TAX

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

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

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

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

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

8. DIVIDENDS

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

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

Notes*:*

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

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

9. 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	
	2017	2016
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**495,919**	471,950

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

(i) The weighted average number of ordinary shares of 1,273,295,000 in issue throughout the year, as adjusted to reflect the employee stock ownership scheme of share of 76,000,000 on 29 December 2017. Details are included in note 13.

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

10. 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 fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

Note:

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

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

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 3 months	**1,026,789**	702,550
3 months to 6 months	**426,048**	279,897
6 months to 1 year	**291,211**	408,517
1 to 2 years	**345,651**	182,321
2 to 3 years	**99,081**	164,719
3 to 4 years	**70,130**	78,174
4 to 5 years	**45,935**	32,440
Over 5 years	**12,868**	8,558
	2,317,713	1,857,176

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Cash and bank balances	**3,402,864**	2,607,822
Time deposits	**200**	13,434
	3,403,064	2,621,256
Less: Pledged bank balances for bidding guarantees and performance guarantees	**(21,177)**	(55,404)
Cash and bank balances in the consolidated statement of financial position	**3,381,887**	2,565,852
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(200)**	(200)
Cash and cash equivalents in the consolidated statement of cash flows	**3,381,687**	2,565,652

	31 December 2017 RMB'000	31 December 2016 RMB'000
Cash and bank balances and time deposits denominated in:		
– RMB	**3,164,304**	2,382,850
– Other currencies	**238,760**	238,406
	3,403,064	2,621,256

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

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

12. TRADE PAYABLES

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 6 months	**1,386,090**	863,787
6 months to 1 year	**230,855**	289,426
1 to 2 years	**549,378**	499,956
2 to 3 years	**278,452**	206,362
Over 3 years	**233,084**	145,385
	2,677,859	2,004,916

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

13. SHARE CAPITAL

Shares

	31 December 2017 RMB'000	31 December 2016 RMB'000
Registered, issued and fully paid:		
1,348,670,000 (2016: 1,272,670,000) ordinary shares	**1,348,670**	1,272,670

A summary of movements in the Company's share capital is as follow:

	Number of shares in issue '000	**Share capital** RMB'000
At 31 December 2016 and 1 January 2017	1,272,670	1,272,670
Employee stock ownership scheme (i)	76,000	76,000
At 31 December 2017	1,348,670	1,348,670

(i) The Company operates a key employee stock ownership scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The Scheme was approved by the 2017 second extraordinary general meeting on 29 December 2017.

The Company issued 76,000,000 domestic shares to the eligible participants of the Scheme at an issue price of RMB3.43 per share and the proceed, received therefrom was approximately RMB260,680,000.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

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

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

FINANCIAL REVIEW

Summary of Operating Results

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

REVENUE

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

An analysis of revenue by segment is as follows:

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

DESIGN, SURVEY AND CONSULTANCY SEGMENT

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

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

CONSTRUCTION CONTRACTING SEGMENT

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

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

ORDER ANALYSIS

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

COST OF SALES

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

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

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

GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2017, the gross profit of the Group was RMB1,343 million, representing an increase of RMB240 million or 21.76% compared to RMB1,103 million for the corresponding period of last year, while the consolidated gross margin decreased from 21.7% to 19.3%, which was mainly attributable to the increased proportion of construction contracting business with lower gross profit.

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

OTHER INCOME AND GAINS

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

SELLING AND DISTRIBUTION EXPENSES

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

ADMINISTRATIVE EXPENSES

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

OTHER EXPENSES

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

FINANCE COSTS

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

INCOME TAX EXPENSES

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

PROFIT FOR THE YEAR

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

CASH FLOWS

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

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

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

PLEDGE OF ASSETS

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

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

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

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

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

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

INDEBTEDNESS

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

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

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

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

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

EXCHANGE RATE RISK

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

USE OF PROCEEDS

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

EMPLOYEES

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

The Group had 4,806 employees, among which, employees in the headquarters accounted for approximately 54%, and those in the subsidiaries accounted for approximately 46%. The number of employees increased by 14.4% in 2017 as compared with 2016. Over 47% of the employees have worked in the Company for more than five years. The Company has one member of Chinese Academy of Engineering, one engineering survey expert, one Beijing Scholar, and seven professors who receive allowance from the government. The medium or senior level professional technicians and the employees who hold a bachelor's degree or a higher degree accounted for 60% and 86% respectively, of the total number of employees of the Company. In 2017, in order to 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. In 2017, fruitful results have been achieved in various works of the Company during 2017, with good news keeping pouring in and a series of inspiring major breakthroughs achieved, owing to our hard-working, diligent, dedicated and selfless staff. In recognition of their outstanding performance and with the purpose of setting a good example for others, in compliance with the corporate values of "customer first, fighting will as the foundation, integrity and realism, pursuit of excellence" and to carry forward the corporate spirits of "ingenuity, responsibility, innovation, fighting will", as well as further motivate our staff to accomplish the tasks for 2018 in a positive and creative manner, the Company selected ten employees with outstanding performance and awarded them the 2017 President Incentive Bonus (院長獎勵基金), and selected the employees acting as role models and awarded them the 2017 Excellent Employees.

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

RETIREMENT POLICY

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

PRINCIPAL BUSINESS

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

OPERATING RESULTS AND FINANCIAL POSITION

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

The rail transit design and consultancy business, the Company's long existing and core business, continuously expanded in high speed, in which, the rail transit design business continued to top the industry, and achieved significant breakthroughs in various fields. The Design & Development Group, as the first design enterprise for metros in China, won a total of 28 general contracting projects of design, continuously ranking the first position in the market with its absolute predominance, nine more general contracting projects ahead of the second position. The Group continued to lead the development of the domestic rail transit industry. (Quoted from the Rankings of Urban Rail Transit Design General Contracting Projects in China in 2017 (《2017中國城市軌道交通設計總體總包排行榜》) published on 1 January 2018 by industry authoritative medias including the China Association of Metros (中國城市軌道交通協會) and the World Railway Information Website (世界軌道交通資訊網)). In 2017, the Company won all 8 general contracting projects of survey in Changchun, with the total contract amount over RMB2.2 billion, breaking the domestic industry records both in one-time bid-winning lines and contractual amount in a single market, and successfully creating a new mode for the development of the urban rail transit projects in China. During the year, the Company also won the feasibility study, pre-feasibility study and construction planning of 20 metro lines in the market of Chongqing, laying a solid foundation for sustainable development. Newly developed cities: Daqing, Anyang, Changsha, Nantong, Luoyang, Zhangzhou, Lu'an, Zaozhuang, etc. Beijing Urban Construction Xinjie Rail Transit Engineering Consulting Co., Ltd. (北京城建信捷軌道交通工程諮詢有限公司), a member enterprise of the Company, is the first censorship institution for the construction drawings of urban rail transit in China and has the largest market shares in the industry. The sales from the survey business hit RMB1 billion for two consecutive years and maintained the first position in the rail transit survey industry. The Company has built a smart engineering institute, establishing three product systems including smart metros, smart construction sites and smart enterprises. The smart construction sites have been actually applied to three-dimensional integration of rail transit surveying data in Beijing new airport, the operation and maintenance platform located in outer ring north road, Anqing, and in cities such as Shijiangzhuang, Yantai, Xi'an, Jinan and Qingdao. As to smart metros, the Company won the bid for the BIM application and security risk management consultancy project of rail transit in Binhai New Area, with the sales of RMB47 million. As to smart enterprise, the Company won the bid for BUCG's information platform development integration project, with the bidding amount of RMB25 million.

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

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

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

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

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

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

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

THE COMPANY'S MANAGEMENT MEASURES IN 2018

In 2018, with the slowdown in the pace of infrastructure construction in the PRC, and the tough overall market situation due to tightened national macro policy on PPP projects, the Company will comprehensively push forward various works with focus on the supply-side structural reform and three main themes of "customer first, technological innovation and talent cultivation", adhere to strengthening its design and consultancy business and construction contracting business, and proactively expand new businesses with design business as the lead, industry synergy and headquarter company as the guarantee, so as to achieve new breakthroughs on the new journey to become a "comprehensive urban construction services provider led by design".

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

1. **To strengthen the design business and strive to become the "giant" in the design and consultancy industry**

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

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

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

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

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

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

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

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

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

MARKET LANDSCAPE AND BUSINESS OUTLOOK

Urban Rail Transit

Multi-transit modes in coordinated development

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

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

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

Rai transit in coordination with innovation construction

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

PPP

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

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

INTEGRATED DEVELOPMENT OF RAIL TRANSIT PROPERTY (TOD)

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

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

DEVELOPMENT OF INTEGRATED URBAN SPACE

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

INTEGRATED TRANSPORTATION HUB

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

UTILITY TUNNEL

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

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

SPONGE CITY

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

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

EPC

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

TECHNOLOGY INDUSTRIALISATION

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

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

MAJOR RISKS AND UNCERTAINTIES

Risks on Macro Policy

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

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

Exchange Rate Risks

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

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

Risks on Market Competitions

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

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

FUTURE DEVELOPMENT PROSPECTS

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

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

DIVIDEND

For the year ended 31 December 2017, the Board of Directors resolved to propose the distribution of a final dividend of RMB0.0994 per share (tax inclusive) for the year, with the dividend totalling RMB134.06 million. The proposal for the payment of the final dividend is subject to the approval of shareholders of the Company at the annual general meeting to be held on 29 May 2018 (the "**Annual General Meeting**"). If approved, the dividend is expected to be paid before 31 July 2018 to the shareholders who are on the register of members of the Company on 7 June 2018.

SUSPENSION OF SECURITIES TRANSFER REGISTRATION

Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Tuesday, 29 May 2018 shall be entitled to attend and vote at the annual general meeting. The register of members of the Company will be closed from Sunday, 29 April 2018 to Tuesday, 29 May 2018, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant stocks and transfer forms shall be lodged no later than 4:30p.m. on Friday, 27 April 2018 for registration (for Holders of H Shares) to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (for Holders of Domestic Shares) to the registered office address at No. 5 Fuchengmen North Street, Xicheng District, Beijing, China.

Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Thursday, 7 June 2018 are entitled to receive the proposed final dividend to be approved by the shareholders of the Company. The register of members of the Company will be closed from Saturday, 2 June 2018 to Thursday, 7 June 2018, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant stocks and transfer forms shall be lodged no later than 4:30 p.m. on Friday, 1 June 2018 for registration (for Holders of H Shares) to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (for Holders of Domestic Shares) to the registered office address at No. 5 Fuchengmen North Street, Xicheng District, Beijing, China.

PURCHASE, SALES AND REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS

The extraordinary general meeting, H share class meeting and domestic share class meeting of the Company was originally scheduled to be held at 9:30 a.m. on Tuesday, 26 December 2017, to consider and approve the proposed implementation of the key employee stock ownership scheme and other matters. The Company received a notice from a shareholder at around 4:20 p.m. on 22 December 2017, stating that his original proxy would be unable to attend such meetings, therefore the shareholder intended to replace his proxy. However, he would be unable to do so due to Hong Kong public holidays from 23 December 2017 to 26 December 2017. Taking into consideration that the shareholder was a substantial shareholder of the Company, and in order to better reflect the wishes of the shareholders against the resolutions to be proposed at the extraordinary meeting and class meetings, the Company issued an announcement on the Hong Kong Stock Exchange at 6:18 p.m. on Tuesday, 26 December 2017 and decided to postpone the convening of the extraordinary meeting and class meetings from 9:30 a.m. on Tuesday, 26 December 2017, the date originally scheduled, to 2:00 p.m. on Friday, 29 December 2017. The venue, way of convening and resolutions of the extraordinary general meeting and class meetings remained unchanged. The Company has been aware of the arrangement of the scheduled date for convening such meetings and its improper postponement of such meetings. The Company has been aware of the arrangement of the scheduled date for convening the Meetings and its improper postponement of the Meetings. The Company has learned the lessons and organized more training to the Company's directors, supervisors, senior management and key employees, in order to have a better understanding of laws and regulations such as the Listing Rules, Company Law of the People's Republic of China, etc., to enhance communication with shareholders of the Company, to give more comprehensive consideration of the interest of shareholders as a whole, as well as to improve its corporate governance. For details, please refer to the announcements of the Company dated 26 December 2017 and 12 January 2018.

Beijing Infrastructure Investment (Hong Kong) Limited, the wholly-owned subsidiary of Beijing Infrastructure Investment Co., Ltd., a shareholder of the Company, has completed the acquisition of 68,222,000 H shares of the Company indirectly held by Beijing Capital Group Ltd. through its controlled corporations (the "**Share Transfer**") on 11 July 2017. The Share Transfer has resulted in the H share public float level of the Company falling to 23.69% upon completion of the key employee stock ownership scheme by the Company on 1 February 2018, which failed to meet the requirements on minimum public float under Rule 8.08(1)(a) of the Listing Rules. The Company is adopting appropriate measures to ensure that the public float is restored as soon as possible. For details, please refer to the announcement of the Company dated 2 March 2018.

Saved as disclosed above, during the year ended 31 December 2017, the Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, and adopted in its best practice proposed in which as appropriate.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealings in the securities of the Company by all of our Directors and supervisors. Having made specific enquiries with the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the standards stipulated in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2017 annual results and the consolidated financial statements for the year ended 31 December 2017 prepared in accordance with the IFRSs.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is published on the website of HKExnews of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.com.hk and the Company's website at http://www.bjucd.com.

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

Beijing, 29 March 2018

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, 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.