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 31 DECEMBER 2018

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 2018 ("**2018**" 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 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	4	**7,186,146**	6,972,545
Cost of sales	6	**(5,762,345)**	(5,629,327)
Gross profit		**1,423,801**	1,343,218
Other income and gains	4	**348,188**	271,064
Selling and distribution expenses		**(90,395)**	(96,636)
Administrative expenses		**(710,714)**	(610,998)
Impairment losses on financial and contract assets, net		**(85,123)**	(106,724)
Other expenses		**(103)**	(52,008)
Finance costs	5	**(189,931)**	(141,244)
Share of profits and losses of:			
Joint ventures		**(13,594)**	(1,659)
Associates		**4,803**	3,742
PROFIT BEFORE TAX	6	**686,932**	608,755
Income tax expense	7	**(133,126)**	(96,746)
PROFIT FOR THE YEAR		**553,806**	512,009
Profit attributable to:			
Owners of the parent		**562,382**	495,919
Non-controlling interests		**(8,576)**	16,090
		553,806	512,009

	Notes	**2018** *RMB'000*	2017 *RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may 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		**(222)**	195
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(222)**	1,447
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on defined benefit plans, net of tax		**(7,190)**	(4,880)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(7,412)**	(3,433)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**546,394**	508,576
Attributable to:			
Owners of the parent		**554,970**	492,486
Non-controlling interests		**(8,576)**	16,090
		546,394	508,576
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	9	**0.42**	0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**498,519**	435,912
Prepaid land lease payments		**221,170**	226,310
Intangible assets		**7,074**	6,185
Investments in joint ventures		**103,130**	38,445
Investments in associates		**98,679**	103,192
Equity investments designated at fair value through other comprehensive income		**8,650**	–
Available-for-sale investments		**–**	19,902
Deferred tax assets		**128,537**	105,541
Financial receivables		**2,897,230**	3,641,891
Contract assets		**1,478,469**	–
Trade receivables	10	**–**	33,421
Prepayments, other receivables and other assets		**354,051**	371,702
Total non-current assets		**5,795,509**	4,982,501
CURRENT ASSETS			
Prepaid land lease payments		**5,152**	5,163
Inventories		**99,947**	79,616
Trade and bills receivables	10	**3,254,521**	2,357,225
Prepayments, other receivables and other assets		**712,563**	1,363,596
Contract assets		**2,311,571**	–
Amounts due from contract customers		**–**	1,941,949
Financial receivables		**309,235**	208,730
Pledged deposits	11	**21,214**	21,177
Cash and bank balances	11	**3,892,576**	3,381,887
Total current assets		**10,606,779**	9,359,343
CURRENT LIABILITIES			
Trade payables	12	**2,849,156**	2,677,859
Amounts due to contract customers		**–**	1,531,631
Other payables and accruals		**3,892,892**	2,221,156
Interest-bearing bank and other borrowings		**508,400**	230,000
Provisions for supplementary retirement benefits		**3,690**	3,650
Tax payable		**38,646**	57,616
Provision		**27,121**	–
Total current liabilities		**7,319,905**	6,721,912

	Notes	**31 December 2018** **RMB'000**	31 December 2017 RMB'000
NET CURRENT ASSETS		**3,286,874**	2,637,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,082,383**	7,619,932
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,038**	3,073
Interest-bearing bank and other borrowings		**4,098,225**	3,077,432
Provisions for supplementary retirement benefits		**65,836**	58,530
Other payables and accruals		**292,131**	288,954
Provision		**39,048**	8,625
Total non-current liabilities		**4,499,278**	3,436,614
Net assets		**4,583,105**	4,183,318
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**1,348,670**	1,348,670
Reserves		**2,969,181**	2,571,906
		4,317,851	3,920,576
Non-controlling interests		**265,254**	262,742
Total equity		**4,583,105**	4,183,318

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent								
	Share capital *RMB'000*	**Capital reserve** *RMB'000*	**Special reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Exchange fluctuation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 31 December 2017	1,348,670	743,558	–	195,792	227	1,632,329	3,920,576	262,742	4,183,318
Effect of adoption of IFRS 9, net of tax (note 2.2)	–	(1,252)	–	–	–	(22,385)	(23,637)	(463)	(24,100)
At 1 January 2018 (restated)	1,348,670	742,306	–	195,792	227	1,609,944	3,896,939	262,279	4,159,218
Profit for the year	–	–	–	–	–	562,382	562,382	(8,576)	553,806
Other comprehensive income/(loss) for the year:									
Re-measurement loss on defined benefit plans, net of tax	–	(7,190)	–	–	–	–	(7,190)	–	(7,190)
Exchange differences on translation of foreign operations	–	–	–	–	(222)	–	(222)	–	(222)
Total comprehensive income/(loss) for the year	–	(7,190)	–	–	(222)	562,382	554,970	(8,576)	546,394
Acquisition of a subsidiary	–	–	–	–	–	–	–	8,339	8,339
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	15,000	15,000
Final 2017 dividend declared	–	–	–	–	–	(134,058)	(134,058)	–	(134,058)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	(11,788)	(11,788)
Appropriation to statutory surplus reserve	–	–	–	53,587	–	(53,587)	–	–	–
Transfer to special reserve (note (i))	–	–	87,549	–	–	(87,549)	–	–	–
Utilisation of special reserve (note (i))	–	–	(87,549)	–	–	87,549	–	–	–
At 31 December 2018	1,348,670	735,116*	–*	249,379*	5*	1,984,681*	4,317,851	265,254	4,583,105

	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

* The reserve accounts comprise the consolidated reserves of RMB2,969,181,000 (31 December 2017: RMB2,571,906,000) in the consolidated statement of financial position as at 31 December 2018.

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 2017 and 2018 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 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**686,932**	608,755
Adjustments for:			
Finance costs	5	**189,931**	141,244
Foreign exchange differences, net	6	**(9,671)**	12,818
Interest income	4	**(327,798)**	(265,935)
Share of losses and (profits) of associates and joint ventures		**8,791**	(2,083)
Gains on disposal of available-for-sale investments	6	**–**	(1,975)
Gains on disposal of financial assets at fair value through profit or loss	6	**(4,933)**	–
Depreciation of items of property, plant and equipment	6	**82,292**	37,264
Amortisation of intangible assets	6	**2,906**	3,134
Amortisation of prepaid land lease payments	6	**5,151**	4,053
Impairment of trade receivables, net	6	**106,305**	78,457
Impairment of financial receivables, net	6	**570**	–
Impairment of other receivables, net	6	**1,459**	4,695
Impairment of amounts due from contract customers, net	6	**–**	23,572
Reversal of impairment of contract assets, net	6	**(23,211)**	–
Provision for foreseeable losses on contracts, net	6	**13,225**	39,098
Loss on disposal of items of property, plant and equipment, net	6	**103**	92
		732,052	683,189

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Increase in inventories		**(20,331)**	(12,541)
Changes in contract assets/liabilities		**(3,779,145)**	–
Changes in amounts due from/to contract customers		**410,318**	267,852
Increase in trade and bills receivables		**(950,704)**	(581,444)
Decrease in prepayments, other receivables and other assets		**472,625**	193,517
Decrease/(increase) in financial receivables		**640,947**	(1,617,504)
Increase in trade payables		**167,830**	669,331
Increase in other payables and accruals		**1,645,185**	686,976
Increase in provision		**44,319**	8,625
Increase in provisions for supplementary retirement benefits		**156**	3,680
Cash flows from operations		**(636,748)**	301,681
Interest received		**95,578**	54,279
Income tax paid		**(169,444)**	(122,170)
Net cash flows (used in)/from operating activities		**(710,614)**	233,790

	Notes	**2018** *RMB'000*	2017 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(119,154)**	(120,754)
Additions to intangible assets		**(3,795)**	(1,161)
Additions to prepaid land lease payments		**–**	(202,880)
Purchases of available-for-sale investments		**–**	(577,000)
Purchases of financial assets at fair value through profit or loss		**(445,000)**	–
Acquisition of subsidiaries, net of cash acquired		**1,297**	–
Addition of investments in associates and joint ventures		**(78,280)**	(85,000)
Proceeds from disposal of items of property, plant and equipment		**921**	934
Proceeds from disposal of available-for-sale investments		**–**	578,976
Proceeds from disposal of financial assets at fair value through profit or loss		**461,186**	–
Dividends received from associates and joint ventures		**637**	588
Borrowings to a joint venture and associates		**–**	(483,000)
Withdrawal of borrowings to a joint venture and associates		**409,954**	–
(Increase)/decrease in pledged deposits		**(37)**	34,227
Net cash flows from/(used in) investing activities		**227,729**	(855,070)

	Notes	**2018** *RMB'000*	2017 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the employee stock ownership scheme		**–**	260,680
Interest paid		**(186,206)**	(136,364)
Dividends paid to shareholders		**(134,058)**	(126,758)
Dividends paid to non-controlling shareholders		**(9,804)**	(573)
Capital contribution from non-controlling shareholders		**15,000**	28,421
Capital withdrawal of non-controlling shareholders		**–**	(4,500)
New bank and other borrowings		**1,459,193**	1,509,032
Repayment of bank and other borrowings		**(160,000)**	(80,000)
Net cash flows from financing activities		**984,125**	1,449,938
NET INCREASE IN CASH AND CASH EQUIVALENTS		**501,240**	828,658
Cash and cash equivalents at beginning of year		**3,381,687**	2,565,652
Effect of exchange rate changes on cash and cash equivalents		**9,449**	(12,623)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**3,892,376**	3,381,687

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

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

Information about subsidiaries

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

Company name*	*Notes*	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company 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 services

Company name*	*Notes*	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction Design (Hong Kong) Co., Ltd. ("北京城建設計(香港)有限公司")		The PRC/Hong Kong 5 January 2015	HKD3,000,000	100%	–	Advisory services
Anhui Jingjian Capital Construction Investment Co., Ltd. ("安徽京建投資建設有限公司")		The PRC/Mainland China 12 May 2015	RMB500,000,000	88%	–	Construction project investment, construction and operation maintenance
Ningbo Zhongchengyun Modern Transportation Operation Corp. Ltd. ("寧波中城運現代交通運營股份有限公司")	(i)	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*	*Notes*	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Urban Infrastructure Construction Investment Management Co., Ltd. ("北京城建基礎設施投資管理有限公司")		The PRC/Mainland China 19 May 2016	RMB100,000,000	100%	–	Investment management and consultancy services
Beijing Urban Construction Design Research Institute Co., Ltd. ("北京城建設計研究院有限公司")		The PRC/Mainland China 18 July 2016	RMB30,000,000	100%	–	Construction design
Beijing Jingjian Shuncheng Construction Investment Co., Ltd. ("北京京建順城建設投資有限公司")		The PRC/Mainland China 8 August 2017	RMB700,000,000	70%	–	Project investment and railway operation management
Beijing Anjie Engineering Consultants Co.,Ltd. ("Anjie") ("北京安捷工程諮詢有限公司")	(ii)	The PRC/Mainland China 25 January 2007	RMB5,000,000	30%	21%	Engineering services and development, consultancy services
Huangshan Jingjian Capital Construction Investment Co.,Ltd. ("黃山京建投資建設有限公司")	(iii)	The PRC/Mainland China 8 August 2018	RMB100,000,000	90%	–	Construction project investment, construction and operation maintenance
Jiangsu Jingjian Capital Construction Investment Co., Ltd. ("江蘇京建投資建設有限公司")	(iv)	The PRC/Mainland China 19 September 2018	RMB50,000,000	89%	1%	Construction project investment, construction and operation maintenance

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

Notes:

(i) On 3 July 2018, Ningbo Zhongchengyun Modern Transportation Operation Corp. Ltd. was logged off.

(ii) The Company directly and indirectly owned 51% of equity interest but the voting power attached to the equity interest did not allow the Company to have the power to govern the financial and operating activities of Anjie according to the article of Anjie. According to the article, the Company is the biggest equity owner and no other equity owners individually or in the aggregate have the power to control Anjie. On 1 April 2018, the Company signed a shareholders voting agreement with Beijing Urban Rail Transit Consulting Co., Ltd. ("北京城市軌道交通諮詢有限公司"), which is another equity owner of Beijing Anjie Engineering Consultants Co., Ltd. and the related party of the Company, whereby Beijing Urban Rail Transit Consulting Co., Ltd. had agreed to vote unanimously with the Company. The PRC lawyer of the Company confirmed that the shareholders voting agreement was valid under the relevant PRC laws. On top of the shareholders voting agreement, the Company controlled the operation of Anjie by appointing senior management, approving the annual budget and determining the remuneration of senior management, etc. Considering the above mentioned factors, the Directors are of opinion that the Company controlled Anjie from 1 April 2018.

(iii) On 8 August 2018, Huangshan Jingjian Capital Construction Investment Co., Ltd. was established by the Company and Huangshan District State-owned Assets Operation Co., Ltd. ("黃山市黃山區國有資產運營有限公司"). The Company directly owned a 90% equity interest in the entity.

(iv) On 19 September 2018, Jiangsu Jingjian Capital Construction Investment Co., Ltd. was established by the Company, Nanjing Pukou Economic Development Co., Ltd. ("南京浦口經濟開發有限公司") and Beijing Urban Infrastructure Construction Investment Management Co., Ltd.. The Company directly and indirectly owned a 90% 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 equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and Annual Improvements *2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	Notes	IAS 39 Measurement Category	Amount *RMB'000*	Re-classification *RMB'000*	ECL *RMB'000*	Other *RMB'000*	IFRS 9 measurement Amount *RMB'000*	Category
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	8,650	–	–	8,650	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			8,650	–	–		
Available-for-sale investments		AFS[2]	19,902	(19,902)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)	FVOCI	–	(8,650)	–	–		FVOCI[1] (equity)
To: Financial assets at fair value through profit or loss	(ii)	FVPL[5]	–	(11,252)	–	–		FVPL (mandatory)
Financial assets at fair value through profit or loss		N/A	–	11,252	–	–	11,252	FVPL (mandatory)
From: Available-for-sale investment	(ii)			11,252	–	–		
Trade and bills receivables	(iii)	L&R[3]	2,390,646	–	(15,843)	–	2,374,803	AC[4]
Financial receivables		L&R	3,850,621	–	(2,640)	–	3,847,981	AC
Financial assets included in Prepayments, other receivables and other assets		L&R	1,313,909	–	28	–	1,313,937	AC
Pledged deposits		L&R	21,177	–	–	–	21,177	AC
Cash and cash equivalents		L&R	3,381,887	–	–	–	3,381,887	AC
			10,978,142	–	(18,455)	–	10,959,687	
Other assets								
Contract assets	(iii)		1,941,949	–	(10,702)	–	1,931,247	
Deferred tax assets			105,541	–	–	5,057	110,598	
Total assets			13,025,632	–	(29,157)	5,057	13,001,532	
Financial liabilities								
Interest-bearing bank and other borrowings		AC	3,307,432	–	–	–	3,307,432	AC
Trade payables		AC	2,677,859	–	–	–	2,677,859	AC
Financial liabilities included in other payables and accruals		AC	232,132	–	–	–	232,132	AC
			6,217,423	–	–	–	6,217,423	
Other liabilities								
Deferred tax liabilities			3,073	–	–	–	3,073	
Total liabilities			6,220,496	–	–	–	6,220,496	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its non-equity investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

(iii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial receivables	–	2,640	2,640
Contract assets	23,572	10,702	34,274
Trade receivables	303,522	15,843	319,365
Other receivables	16,616	(28)	16,588
	343,710	29,157	372,867

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Capital reserve *RMB'000*	Retained profits *RMB'000*
Balance as at 31 December 2017 under IAS 39	743,558	1,632,329
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(1,252)	1,252
Recognition of expect credit losses for trade receivables, net of tax under IFRS 9	–	(13,261)
Recognition of expect credit losses for other receivables, net of tax under IFRS 9	–	(159)
Recognition of expect credit losses for contract assets, net of tax under IFRS 9	–	(8,573)
Recognition of expect credit losses for financial receivables, net of tax under IFRS 9	–	(1,644)
Effect of adoption of IFRS 9, net of tax	(1,252)	(22,385)
Balance as at 1 January 2018 under IFRS 9	742,306	1,609,944

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Assets:		
Amounts due from contract customers	(i)	(1,941,949)
Financial receivables	(ii)	(1,968,047)
Trade receivables	(i)	(47,473)
Contract assets	(i) (ii)	3,981,487
Total assets		24,018
Liabilities:		
Amounts due to contract customers	(i)	(1,531,631)
Provision	(i)	41,427
Other payables and accruals	(i) (ii)	1,514,222
Total liabilities		24,018

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	**IFRS 15**	**Previous IFRS 15**	**Increase/ (decrease)**
		RMB'000	*RMB'000*	*RMB'000*
Assets:				
Amounts due from contract customers	(i)	–	2,084,781	(2,084,781)
Financial receivables	(ii)	3,206,465	4,828,691	(1,622,226)
Trade receivables	(i)	–	60,355	(60,355)
Contract assets	(i) (ii)	3,790,040	–	3,790,040
Total assets		6,996,505	6,973,827	22,678
Liabilities:				
Amounts due to contract customers	(i)	–	1,788,712	(1,788,712)
Provision	(i)	66,169	25,869	40,300
Other payables and accruals	(i) (ii)	4,185,023	2,413,933	1,771,090
Total liabilities		4,251,192	4,228,514	22,678

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 are described below:

(i) Construction services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs and the related foreseeable losses represented an amount due from the customers and were recorded as amounts due from the contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset and a related provision are recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB1,965,967,000 from amounts due from the contract customers to contract assets, and RMB24,018,000 from amounts due from the contract customers to provision as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in amounts due from the contract customers of RMB2,084,781,000, an increase in contract assets of RMB2,107,459,000, and an increase in provision of RMB22,678,000.

Before the adoption of IFRS 15, contract revenues were recognised as a liability provided it was probable that they would be paid. Such revenues and the related foreseeable losses represented an amount due to the customers and were recorded as amounts due to the contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract liability and a related provision, are recognised when the Group performs by transferring goods or services to customers and the Group's obligation to consideration is conditional. Accordingly, the Group reclassified RMB1,514,222,000 from amounts due to the contract customers to other payables and accruals, and RMB17,409,000 from amounts due to the contract customers to provision as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in amounts due to the contract customers of RMB1,788,712,000, an increase in other payables and accruals of RMB1,771,090,000, and an increase in provision of RMB17,622,000.

Before the adoption of IFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of IFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB47,473,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in trade receivables of RMB60,355,000, and an increase in contract assets of RMB60,355,000.

(ii) Construction services in accordance with IFRIC 12

Before the adoption of IFRS 15, if the entity has an unconditional contractual right to receive cash or another financial asset, the service element that relates to the construction in progress is accounted for in accordance with IFRIC 12 as financial receivables. Upon the adoption of IFRS 15, the financial receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB1,968,047,000 from financial receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in financial receivables of RMB1,622,226,000 and an increase in contract assets of RMB1,622,226,000.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 is excluded from such measurement.

Segment assets exclude deferred tax assets, unallocated cash and bank balances, unallocated pledged deposits and unallocated financial products included in financial assets at fair value through profit or loss 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 2018

	Design, survey and consultancy *RMB'000*	**Construction contracting** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 4)*				
Sales to external customers	**3,514,181**	**3,671,965**	**–**	**7,186,146**
Intersegment sales	**65,118**	**–**	**(65,118)**	**–**
Total revenue	**3,579,299**	**3,671,965**	**(65,118)**	**7,186,146**
Segment results	**471,827**	**48,532**	**23,773**	**544,132**
Interest income	**8,141**	**307,476**	**–**	**315,617**
Finance costs	**–**	**(189,931)**	**–**	**(189,931)**
Gains on disposal of financial assets at fair value through profit or loss	**2,651**	**2,282**	**–**	**4,933**
Profit of segments for the year	**482,619**	**168,359**	**23,773**	**674,751**
Income tax expense				**(133,126)**
Unallocated interest income				**12,181**
Profit for the year				**553,806**

	Design, survey and consultancy *RMB'000*	Construction contracting *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment assets	**5,565,976**	**9,362,709**	**(169,312)**	**14,759,373**
Corporate and other unallocated assets				**1,642,915**
Total assets				**16,402,288**
Segment liabilities	**4,866,889**	**7,179,469**	**(269,859)**	**11,776,499**
Corporate and other unallocated liabilities				**42,684**
Total liabilities				**11,819,183**
Other segment information:				
Share of profits and losses of:				
Joint ventures	**(13,594)**	**–**	**–**	**(13,594)**
Associates	**4,803**	**–**	**–**	**4,803**
Depreciation	**34,001**	**48,291**	**–**	**82,292**
Amortisation	**8,057**	**–**	**–**	**8,057**
Provision for				
– foreseeable losses on contracts	**10,524**	**2,701**	**–**	**13,225**
– impairment on trade receivables, financial receivables, other receivables, contract assets, net	**66,993**	**18,130**	**–**	**85,123**
Investments in joint ventures	**103,130**	**–**	**–**	**103,130**
Investments in associates	**98,679**	**–**	**–**	**98,679**
Capital expenditure*	**50,125**	**101,221**	**–**	**151,346**

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
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

	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	(1,659)	–	–	(1,659)
Associates	3,742	–	–	3,742
Depreciation	23,535	13,729	–	37,264
Amortisation	7,187	–	–	7,187
Provision for				
– foreseeable losses on contracts	19,332	19,766	–	39,098
– impairment on trade receivables, deposits and other receivables, amounts due from contract customers, net	102,290	4,434	–	106,724
Investments in joint ventures	38,445	–	–	38,445
Investments in associates	103,192	–	–	103,192
Capital expenditure*	306,987	15,375	–	322,362

* 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	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**7,149,706**	6,864,332
Other countries	**36,440**	108,213
	7,186,146	6,972,545

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

(b) Non-current assets

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Mainland China	**2,407,041**	810,044

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 2018, there was one customer of the Group from which the revenue individually accounted for over 10% of the Group's total revenue.

During the years ended 31 December 2017, 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 2018

	Design, survey and consultancy *RMB'000*	**Construction contracting** *RMB'000*	**Total** *RMB'000*
Customer A	**198,440**	**979,825**	**1,178,265**

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

4. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Type of goods or services		
Design, survey and consultancy services	**3,514,181**	2,976,736
Construction contracts	**3,671,965**	3,995,809
	7,186,146	6,972,545
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Timing of revenue recognition		
Service transferred over time	**7,186,146**	6,972,545
Geographical markets		
Mainland China	**7,149,706**	6,864,332
Other countries	**36,440**	108,213
	7,186,146	6,972,545

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

For the year ended 31 December 2018

Segment	Design, survey and consultancy *RMB'000*	Construction contracting *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	**3,514,181**	**3,671,965**	**7,186,146**
Intersegment sales	**65,118**	**–**	**65,118**
	3,579,299	**3,671,965**	**7,251,264**
Intersegment adjustments and eliminations	**(65,118)**	**–**	**(65,118)**
Total revenue from contracts with customers	**3,514,181**	**3,671,965**	**7,186,146**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December 2018 *RMB'000*
Design, survey and consultancy	**540,252**
Construction contracting	**283,443**
	823,695

(ii) Performance obligations

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

Design, survey and consultancy services

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

Construction services

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**327,798**	265,935
Gains on disposal of available-for-sale investments	**–**	1,975
Gains on disposal of financial assets at fair value through profit or loss	**4,933**	–
Government grants	**2,574**	205
Foreign exchange gains	**9,671**	–
Others*	**3,212**	2,949
	348,188	271,064

* Others mainly represented other miscellaneous income.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**189,931**	141,244

6. PROFIT BEFORE TAX

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

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Cost of design, survey and consultancy services		**2,432,770**	2,061,403
Cost of construction contracts		**3,329,575**	3,567,924
Total cost of sales		**5,762,345**	5,629,327
Depreciation of items of property, plant and equipment	(a)	**82,292**	37,264
Amortisation of prepaid land lease payments		**5,151**	4,053
Amortisation of intangible assets		**2,906**	3,134
Total depreciation and amortisation		**90,349**	44,451
Impairment of trade receivables, net	10	**106,305**	78,457
Impairment of financial receivables, net		**570**	–
Impairment of other receivables, net		**1,459**	4,695
Reversal of impairment of contract assets, net		**(23,211)**	–
Impairment of amounts due from contract customers, net		**–**	23,572
Provision for foreseeable losses on contracts, net		**13,225**	39,098

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Lease expenses under operating leases	(b)	**176,236**	170,119
Auditor's remuneration		**3,380**	3,380
Employee benefit expenses (excluding Directors' and supervisors' remuneration):	(c)		
Wages, salaries and allowances		**1,292,072**	1,159,373
Retirement benefit costs			
– Defined contribution retirement schemes		**141,497**	120,675
– Defined benefit retirement schemes		**3,670**	6,670
Total retirement benefit costs		**145,167**	127,345
Welfare and other expenses		**229,051**	202,249
Total employee benefit expenses		**1,666,290**	1,488,967
Interest income	4	**(327,798)**	(265,935)
Government grants	4	**(2,574)**	(205)
Gains on disposal of available-for-sale investments	4	**–**	(1,975)
Gains on disposal of financial assets at fair value through profit or loss	4	**(4,933)**	–
Loss on disposal of items of property, plant and equipment, net		**103**	92
Foreign exchange differences, net		**(9,671)**	12,818

Notes:

(a) Depreciation of approximately RMB23,699,000 (2017: RMB21,112,000) was included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(b) Lease expenses of approximately RMB146,322,000 (2017: RMB137,953,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(c) Employee benefit expenses of approximately RMB1,275,348,000 (2017: RMB1,137,214,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

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 2018 and 2017 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 2018 and 2017.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax – Mainland China	**150,055**	118,971
Deferred income tax	**(16,929)**	(22,225)
Tax charge for the year	**133,126**	96,746

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 2018 and 2017 is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**686,932**	608,755
Income tax at the statutory income tax rate	**171,733**	152,189
Effect of different income tax rate for some entities	**(57,276)**	(48,465)
Tax effect of share of profits and losses of joint ventures and associates	**2,198**	(521)
Additional tax deduction for research and development expenditure	**(12,599)**	(8,825)
Expenses not deductible for tax purposes	**5,871**	2,638
Adjustments in respect of current tax of previous periods	**(2,695)**	(1,652)
Tax losses not recognised	**25,894**	1,382
Tax charge for the year at the effective rate	**133,126**	96,746

8. DIVIDENDS

The dividends during the years ended 31 December 2018 and 2017 are set out below:

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Declared:			
Final dividend – RMB0.0994 (2016: RMB0.0996) per ordinary share	(i)	**134,058**	126,758
Proposed:			
Final dividend – RMB0.1102 (2017: RMB0.0994) per ordinary share	(ii)	**148,623**	134,058

Notes:

(i) At the annual general meeting held on 29 May 2018, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2017 of RMB0.0994 per share which amounted to RMB134,058,000 and was settled in July 2018.

(ii) On 29 March 2019, the board of directors proposed the payment of a final dividend of RMB0.1102 per ordinary share in respect of the year ended 31 December 2018, 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 amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue during the year.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**562,382**	495,919

	Year ended 31 December	
	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**1,348,670**	1,273,295

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

10. TRADE AND BILLS RECEIVABLES

	Note	**31 December 2018** ***RMB'000***	31 December 2017 *RMB'000*
Trade receivables		**3,584,568**	2,621,235
Bills receivable		**95,911**	72,933
Impairment		**(425,958)**	(303,522)
Net value		**3,254,521**	2,390,646
Portion classified as non-current assets	(i)	**–**	(33,421)
Current portion		**3,254,521**	2,357,225

Note:

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

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

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

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

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

	31 December 2018 ***RMB'000***	31 December 2017 *RMB'000*
Within 3 months	**1,022,733**	1,026,789
3 months to 6 months	**368,025**	426,048
6 months to 1 year	**779,009**	291,211
1 to 2 years	**595,556**	345,651
2 to 3 years	**278,090**	99,081
3 to 4 years	**61,748**	70,130
4 to 5 years	**45,620**	45,935
Over 5 years	**7,829**	12,868
	3,158,610	2,317,713

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

	Note	2018 RMB'000	2017 RMB'000
At beginning of the year		**303,522**	225,065
Effect of adoption of IFRS 9		**15,843**	–
At beginning of the year (restated)		**319,365**	225,065
Acquisition of a subsidiary		**288**	–
Impairment losses recognised	6	**118,635**	89,870
Impairment losses reversed	6	**(12,330)**	(11,413)
At end of the year		**425,958**	303,522

Impairment under IFRS 9 for the year ended 31 December 2018

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

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

As at 31 December 2018

	Expected credit loss rate	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Individually impaired	**79.11%**	**104,140**	**82,390**
Collectively impaired			
Within 6 months	**0.53%**	**1,372,652**	**7,310**
6 months to 1 year	**3.92%**	**805,906**	**31,600**
1 to 2 years	**8.09%**	**662,761**	**53,619**
2 to 3 years	**16.61%**	**329,849**	**54,796**
3 to 4 years	**30.35%**	**93,902**	**28,497**
4 to 5 years	**49.84%**	**83,062**	**41,402**
5 to 6 years	**90.35%**	**61,673**	**55,721**
Over 6 years	**100.00%**	**70,623**	**70,623**
	9.87%	**3,480,428**	**343,568**
Total	**11.88%**	**3,584,568**	**425,958**

Impairment under IAS39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB133,396,000 with an aggregate carrying amount before provision of RMB274,404,000 as at 31 December 2017.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS39 is as follows:

	31 December 2017 *RMB'000*
Neither past due nor impaired	1,452,837

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2018 ***RMB'000***	31 December 2017 *RMB'000*
Cash and bank balances	**3,913,590**	3,402,864
Time deposits	**200**	200
	3,913,790	3,403,064
Less: Pledged bank balances for bidding guarantees and performance guarantees	**(21,214)**	(21,177)
Cash and bank balances in the consolidated statement of financial position	**3,892,576**	3,381,887
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	**3,892,376**	3,381,687
Cash and bank balances and time deposits denominated in:		
– RMB	**3,663,252**	3,164,304
– Other currencies	**250,538**	238,760
	3,913,790	3,403,064

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 2018	31 December 2017
	RMB'000	*RMB'000*
Within 6 months	**1,311,692**	1,386,090
6 months to 1 year	**617,421**	230,855
1 to 2 years	**310,005**	549,378
2 to 3 years	**256,971**	278,452
Over 3 years	**353,067**	233,084
	2,849,156	2,677,859

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

13. SHARE CAPITAL

Shares

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Registered, issued and fully paid: 1,348,670,000 (2017: 1,348,670,000) ordinary shares	**1,348,670**	1,348,670

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2018, insisting on the layout in the entire urban rail transit industry chain, the Group increased coordination, further developed markets, stabilized growth, prevented risks, and effectively utilized advantages in nation-wide marketing network, industry-wide layout, whole-process design, got through business barriers, condensed market forces, made significant progress in business development, and formed the design-led, capital-driven and business-oriented expansion, innovation and upgrading, and accomplished all task objectives in the context of slowdown in investment in rail transit.

As of 31 December 2018, the Group's revenue amounted to RMB7,186 million, representing an increase of RMB213 million or 3.05% compared to RMB6,973 million for last year. The Group's net profit amounted to RMB554 million, representing an increase of RMB42 million or 8.20% compared to the net profit of RMB512 million for last year.

FINANCIAL REVIEW

Summary of Operating Results

	Year ended 31 December	
	2018	2017
	(RMB'000)	(RMB'000)
Revenue	**7,186,146**	6,972,545
Cost of sales	**(5,762,345)**	(5,629,327)
Gross profit	**1,423,801**	1,343,218
Other income and gains	**348,188**	271,064
Selling and distribution expenses	**(90,395)**	(96,636)
Administrative expenses	**(710,714)**	(610,998)
Impairment losses on financial and contract assets, net	**(85,123)**	(106,724)
Other expenses	**(103)**	(52,008)
Finance costs	**(189,931)**	(141,244)
Share of losses of joint ventures	**(13,594)**	(1,659)
Share of profits of associates	**4,803**	3,742
Profit before tax	**686,932**	608,755
Income tax expense	**(133,126)**	(96,746)
Profit for the year	**553,806**	512,009

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 2018, the Group achieved a revenue of RMB7,186 million, representing an increase of RMB213 million or 3.05% compared to RMB6,973 million for last year. Such increase was mainly attributable to the steady increase in the Company's revenue driven by the Group's efforts in expanding the scope of design, survey and consultancy business.

An analysis of revenue by segment is as follows:

	Year ended 31 December	
	2018	2017
Products	**(RMB'000)**	(RMB'000)
Design, survey and consultancy	**3,514,181**	2,976,736
Construction contracting	**3,671,965**	3,995,809
Total	**7,186,146**	6,972,545

DESIGN, SURVEY AND CONSULTANCY SEGMENT

The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal administration. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2018, in the unfavorable context of slowdown in investment in rail transit, the Group intensively developed existing markets by fully utilizing the technical advantages in the industry, consolidated its dominant status in urban rail transit design, properly performed existing contracts and focused on following up state-level new areas and third-tire and fourth-tire cities, and expanded its business into 65 domestic and overseas cities, and improved the influence of its urban construction brand. In 2018, tenders for new rail transit lines were launched in only 14 cities in rail transit industry across the nation, but the Company still won the bids for a total of 6 overall design projects in Beijing, Chongqing, Xi'an, Delingha and Hangzhou, and maintained the largest market share in the industry.

For the year ended 31 December 2018, the design, survey and consultancy segment of the Group achieved a revenue of RMB3,514 million, representing an increase of RMB537 million or 18.04% compared to RMB2,977 million for the corresponding period in 2017. Among which, the revenue of the urban rail transit business amounted to RMB2,848 million, representing an increase of RMB330 million or 13.11% compared to RMB2,518 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal administration business amounted to RMB666 million, representing an increase of RMB207 million or 45.10% compared to RMB459 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, Suzhou, Zhengzhou and Huangshan.

For the year ended 31 December 2018, the Group's revenue from the construction contracting segment was RMB3,672 million, representing a decrease of RMB324 million or 8.11% compared to RMB3,996 million for the corresponding period of last year. Such decrease was mainly attributable to a year-on-year decrease in commencement volume of projects as a result of an appropriate reduction of PPP project scale by the Company.

COST OF SALES

For the year ended 31 December 2018, the cost of sales incurred by the Group was RMB5,762 million, representing an increase of RMB133 million or 2.36%, against an increase of 3.05% in revenue, compared to RMB5,629 million for the corresponding period of last year. This was mainly attributable to the decrease in costs as a result of the Company's persistent efforts in enhancing cost control and reduced proportion of construction contracting business with a lower gross profit for the current year.

For the year ended 31 December 2018, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,433 million for the year from RMB2,061 million for the corresponding period of last year, representing an increase of 18.05%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB1,912 million for the year from RMB1,715 million for the corresponding period of last year, representing an increase of 11.49%. The cost of sales of the industrial and civil construction and municipal administration business of the design, survey and consultancy segment increased to RMB521 million for the year from RMB346 million for the corresponding period of last year, representing an increase of 50.58%.

For the year ended 31 December 2018, the cost of sales of the Group's construction contracting segment decreased to RMB3,329 million for the year from RMB3,568 million for the corresponding period of last year, representing a decrease of 6.70%.

GROSS PROFIT AND GROSS MARGIN

For the year ended 31 December 2018, the gross profit of the Group was RMB1,424 million, representing an increase of RMB81 million or 6.03% compared to RMB1,343 million for the corresponding period of last year, while the consolidated gross margin increased from 19.3% to 19.8%, which was mainly attributable to the increased proportion of design business with a higher gross profit.

The gross profit of design, survey and consultancy segment increased to RMB1,081 million for the current year from RMB915 million for the corresponding period of last year, representing an increase of RMB166 million or 18.14%. The gross margin was 30.8%, which was similar to the corresponding period of last year. The gross profit of the construction contracting segment decreased from RMB428 million for the corresponding period of last year to RMB343 million for the current year, representing a decrease of RMB85 million or 19.86%. The gross margin decreased from 10.7% for the corresponding period of last year to 9.3% for the current year, which was mainly attributable to the increased proportion of the revenue generating from traditional engineering project with lower gross margin in engineering segment as compared to corresponding period of last year.

OTHER INCOME AND GAINS

For the year ended 31 December 2018, other income and gains of the Group were RMB348.19 million, representing an increase of RMB77.13 million or 28.45% compared to RMB271.06 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 2018, selling and distribution expenses of the Group were RMB90.40 million, representing a decrease of RMB6.24 million or 6.46% compared to RMB96.64 million for the corresponding period of last year. The decrease in selling and distribution expenses was mainly attributable to the decrease in bidding costs and relevant costs incurred from bidding as a result of reduced investment scale in rail transit market.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018, administrative expenses of the Group were RMB710.71 million, representing an increase of RMB99.71 million or 16.32% compared to RMB611.00 million for the corresponding period of last year. Such increase was mainly because the Company further increased research and development expenditures and expanded its business by establishing business institution such as Huangshan Jingjian and Jiangsu Jingjian in 2018, resulting in the increase in the number of management staff and relevant operating expenses.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

For the year ended 31 December 2018, the impairment losses on financial and contract assets of the Group amounted to RMB85.12 million, representing a decrease of RMB21.60 million or 20.24% as compared to RMB106.72 million for the corresponding period of last year, mainly because the provision for bad debt of RMB106.72 million for trade and other receivables, etc. was presented in impairment losses on financial and contract assets slightly reduced.

OTHER EXPENSES

For the year ended 31 December 2018, other expenses of the Group were RMB0.10 million, representing a decrease of RMB51.91 million or 99.81% compared to RMB52.01 million for the corresponding period of last year. The decrease in other expenses was mainly attributable to the adjustment to the requirements of new revenue standard policies. The estimated contract loss was included in cost of sales.

FINANCE COSTS

For the year ended 31 December 2018, finance costs of the Group were RMB189.93 million, representing an increase of RMB48.69 million or 34.47% compared to RMB141.24 million for the corresponding period of last year, which was mainly attributable to the increase in interest expenses due to the long-term borrowings of Anhui Jingjian Company, Guizhou Jingjian Company and Yunnan Jingjian Company, the Group's subsidiaries.

INCOME TAX EXPENSES

For the year ended 31 December 2018, the income tax expenses of the Group was RMB133.13 million, representing an increase of RMB36.38 million or 37.60% as compared to RMB96.75 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 2018, the profit of the Group for the year was RMB554 million, representing an increase of RMB42 million or 8.20% compared to RMB512 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	
	2018	2017
	(RMB'000)	(RMB'000)
Net cash (outflows)/inflows from operating activities	**(710,614)**	233,790
Net cash inflows/(outflows) from investing activities	**227,729**	(855,070)
Net cash inflows from financing activities	**984,125**	1,449,938
Net increase in cash and cash equivalents	**501,240**	828,658

The net cash outflows from operating activities in 2018 was RMB711 million, which was mainly attributable to less operating receipts than operating payments in the period. The net cash inflows from investing activities was RMB228 million, which was mainly attributable to the withdrawal of borrowings of RMB411 million by joint ventures and associates and an expenditure of RMB123 million for decoration of Fuchengmen office building and acquisition of fixed assets and intangible assets. The net cash inflows from financing activities was approximately RMB984 million, which was mainly due to the receipt of long-term bank loans of RMB1,459 million for projects of Guizhou Jingjian and Yunnan Jingjian, etc., the repayment of borrowings and interest expenses of approximately RMB346 million and the payment of dividends to shareholders of approximately RMB144 million for the year.

PLEDGE OF ASSETS

For the year ended 31 December 2018, the financial receivables of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 31 December 2018, the net pledged receivables and contract assets were RMB5,037 million (as at 31 December 2017: RMB4,371 million).

For the year ended 31 December 2018, the letter of guarantee for project performance to certain associates by the Group and the outstanding balance of such guarantee letters was RMB280 million.

For the year ended 31 December 2018, the Group had no other material contingent liabilities.

The capital commitment of the Group as at 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018 (RMB'000)	31 December 2017 (RMB'000)
Contracted, but not published:		
Property, plant and equipment	**188,308**	219,786
Equity investments	**3,683,390**	2,901,040
	3,871,698	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 2018, the net current asset of the Group was RMB3,287 million, among which cash and cash equivalents accounted for RMB3,892 million. The liquidity of the Group was sound and healthy and the Group had adequate cash and available banking facilities to satisfy its operating needs.

For the year ended 31 December 2018, the Group's interest-bearing borrowings were RMB4,607 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 31 December 2018 divided by the total equity as at 31 December 2018) was 100.51%.

INDEBTEDNESS

The table below shows the total borrowings of the Group as at 31 December 2018 and 31 December 2017. The Group settles the borrowings on time.

	31 December 2018 (RMB'000)	31 December 2017 (RMB'000)
Bank borrowings		
Pledged	**3,894,225**	2,599,032
Non-pledged	**4,000**	–
Other borrowings		
Non-pledged	**708,400**	708,400
	4,606,625	3,307,432

As at 31 December 2018, the Group's borrowings are all denominated in RMB, and bear interest at 3.98% to 6.525%.

The table below shows the maturity of the Group's debts as at 31 December 2018 and 31 December 2017:

	31 December 2018	31 December 2017
Within one year	**508,400**	230,000
Between one to two years	**358,000**	504,400
Between two to three years	**358,000**	358,000
Between three to four years	**578,000**	343,066
Between four to five years	**358,000**	318,000
Over five years	**2,446,225**	1,553,966
Total	**4,606,625**	3,307,432

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 2018, the Company utilized an aggregate of RMB732.88 million of the proceeds, among which RMB383.77 million was invested to supplement the design, survey and consultancy projects and construction contracting projects in relation to urban rail transit business, including an investment of RMB3.43 million in 2018; RMB182.79 million was invested to enhance, through self-development, cooperation or acquisition, the design and technology research capabilities in relation to the urban rail transit business and facilitate commercialisation of the technologies, of which, no proceeds was used in 2018; RMB73.38 million was used to improve the construction capabilities in relation to urban rail transit business, including an investment of RMB7.32 million in 2018; RMB22.15 million was used to build the information systems, including an investment of RMB0.06 million in 2018; RMB70.79 million was used to supplement the working capital, including an investment of RMB0.22 million in 2018.

As of 31 December 2018, balance of proceeds of the Company amounted to RMB5.47 million and was placed at the banks as deposits, and would be used for the purpose disclosed in the prospectus published by the Company on 25 June 2014. The Company will develop the timetable for use of the remaining proceeds according to operation needs in due time.

EMPLOYEES

As of 31 December 2018, the Group had 4,391 employees, among which, employees in the headquarters accounted for approximately 61.8%, and those in the subsidiaries accounted for approximately 38.2%. Over 45.2% of the employees have worked in the Company for more than five years. The Company has one member of Chinese Academy of Engineering, one survey and design expert, and seven experts who receive allowance from the government, and 390 registered persons with qualification certificates. The medium or senior level professional technicians and the employees who hold a bachelor's degree or a higher degree accounted for 60.3% and 91.1% of the total number of employees of the Company, respectively. In 2018, in order to further optimize talent structure, the Company applied labour outsourcing to replace certain auxiliary positions. In 2018, in order to elect and recruit high quality talents, the Company established university-enterprise talent development cooperation with a number of prestigious universities, such as Tsinghua University, Southeast University and Tongji University, and held onsite recruitment activities in such universities to recruit outstanding graduates. Meanwhile, the Company also committed to fully exploring the internal staffing potential through adopting the selection mechanism of "select personnel inside first, then outside" to address our demand for talents from social recruitment.

In each year, the Company selects and rewards the employees who make remarkable annual achievements and outstanding performance. In 2018, fruitful results have been achieved in various works of the Company, with good news keeping pouring in and a series of inspiring major breakthroughs achieved, and the Company possesses a bunch of hard-working, diligent, dedicated and selfless staff. In recognition of their outstanding performance and with the purpose of setting a good example for others, in compliance with the corporate values of "customer first, fighting will as the foundation, integrity and realism, pursuit of excellence" and to carry forward the corporate spirit of "ingenuity, responsibility, innovation, fighting will", as well as further motivate our staff to better accomplish the tasks for 2019, the Company selected 10 employees with outstanding performance and awarded them the 2018 President Incentive Bonus (院長獎勵基金), and selected 81 employees acting as role models and awarded them the 2018 Excellent Employees.

The Company attaches great emphasis to the staff development and cultivation. Staff training is conducted through our corporate university with the aims to establish a training system which adapts to the corporate development strategy and to build a learning organization. Staff is offered with both internal and external trainings. In respect of training contents, corporate university training course systems covering various specialties and levels under different training systems have been realized according to the business strategy development objectives and performance improvement needs of the Company and training needs of each unit, in four aspects, namely, course training direction, levels of trainees, related specialties and course training effects, and focusing on strategy, culture, management and technology. 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 2018, the Company established an UCD mobile learning platform which could provide various applications such as online learning, live courses, knowledge Q&As, etc. to conduct training in management, technology, humanities and other aspects to realize knowledge and resources sharing, so as to meet the staff's needs of flexibility for place and time of learning. In 2018, the Company conducted over 1,000 trainings, among which, about 130 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 project managers and professional technicians. In 2018, the Company enhanced the development of corporate university internal trainer team, improved the building of internal trainer mechanism, developed and issued the Measures for the Administration of Internal Trainers, and recommended and chose more than 400 internal trainers.

In order to further promote the building of talent team and the development of high-end talents, improve the influence of the Company in the industry, improve the professional academic atmosphere and leading professional academic level of the Company, the Company officially established the second session of expert committee in 2018, consisting of 10 expert teams and more than 100 experts of the Company.

EVENTS AFTER THE BALANCE SHEET DATE

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

BID WINNING

In the context of changing domestic policies on the development of urban rail transit in 2018, the Company realized an aggregate winning bid amount of RMB13,683 million as of 31 December 2018 by utilizing its industry advantages and technical strength and by expanding markets through coordination throughout the rail transit industry chain, including an aggregate winning bid amount of RMB3,473 million of design, survey and consultancy business and an aggregate winning bid amount of RMB10,210 million of construction contracting business. As of the end of the Reporting Period, contract value on hand amounted to RMB35,709 million.

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, under the slowing trend of the development of urban rail transit, the Company took advantage of the rail transit industry chain to further expand its design, survey and consultancy businesses, and steadily held onto the new tasks under the innovation model, maintaining the growth in business revenue and a satisfactory performance on the whole. For the year ended 31 December 2018, the revenue of the Company amounted to RMB7,186 million, representing an increase of RMB213 million or 3.05% compared with the corresponding period of last year, among which revenue from the design, survey and consultancy business was RMB3,514 million, accounting for 48.90%, and revenue from the construction general contracting business was RMB3,672 million, accounting for 51.10%. The net profit amounted to RMB554 million, representing an increase of RMB42 million or 8.20% compared with the corresponding period of last year.

The scale of rail transit design and consultancy business, which is the Company's traditional and core business, continued to top the industry. The Company continuously won the bid for six general contracting projects of design, namely Phase II of Chongqing Line 4, Xi'an Cloud Trail, Delingha Tram Phase II, Hangzhou Airport Line, Beijing New Airport Line (Caoqiao-Lize Business District), and Luoyang Luojing Scenic Light Rail, ranked the first in the industry in terms of market share. The civil air defense business achieved breakthroughs, and newly signed three new civil air defense projects, including the Changchun Line 2 West Extension, Dalian Line 5, and Beijing Line 4 Weigongcun Station. We entered into Xiong'an, a national level new district, as well as Dongying, Guiyang, Huizhou and Tel Aviv with the global business map covered 65 urban rail transit cities for the first time. The marketing amount of survey business has exceeded RMB1 billion, and the marketing amount of geotechnical business has reached RMB400 million. Our market layout has expanded into Wuhu, Jinhua, Qitai, Wenling, Jingmen, Ganjiang, Ningde, Jiaxing, Beihai and Ezhou. We have emerged diversified achievements, the smart city big data platform has made significant progress, and the independent research and development survey data collection system has been successfully launched. Meanwhile, the influence of the civil construction and integration segment were further upgraded, and undertaken the design of three major venues of the 2022 Winter Olympic Games, and became a "dual Olympics" design enterprise. We have obtained projects with significant impact such as the 2019 World Expo Beijing Exhibition Park, Haikou Dongjiang International Free Trade Zone, and Beijing Chaoyang Wanmu Forest Park. We made more effort in TOD design market, and newly signed six integrated design projects including Beijing Xiejiacun, Ciqunan, Dongxiaoying and Dongba. We undertook EPC design through cooperation with strong alliance, and obtained the Ganjiang Hongxin Building, the border inspection of Beijing New Airport, and the Qingdao Chaidao Landscape Project. The municipal business obtained the Quanzhou Haiwan Avenue with an amount of RMB80 million, and won the water environment treatment of Shenzhen Dakong Port and Pingshan District, and the Company was promoted as an advanced enterprise in water environment treatment. We newly signed the 107 auxiliary road utility tunnel in Zhengdong New District and 35,000 housing design in Mozambique, and our market layout was further expanded.

The performance and marketing of the engineering general contracting segment has achieved fruitful results. The railway of Delingha Tram Phase I was completed, being the tram at the highest elevation in the world. We entered into the contract of Guangzhou No. 10 Line with an amount of around RMB2.7 billion, which created a record high in the total individual contract amount of the Company's rail transit general contracting. We base ourselves in Beijing to expand our market outside Beijing. We obtained the Delingha Tram Phase II, the civil engineering No. 01 bidding section of Zhengzhou-Xuchang City Railway, the No. 03 bidding section of East Extension Underground Tunnel of Beijing No. 7 Line, and the renovation of No. 16 Building of Yuyuantan. Rapid development of general construction contracting business was reflected in increasing market scale, management capacity and revenues.

The technology industrialization has reached a new height. The modern production inspection and testing center and the joint debugging test center have been completed and put into operation, and the new product development and testing capabilities were further upgraded. The weak current systems with independent intellectual property rights such as the cloud transportation automation system which has deep integration of traffic control and general monitoring, owned 16 copyrights, obtained the central enterprise industry fund and were successfully launched. Our technology industrialization has formed four product series of tram intelligent control, track series, metro automation and utility tunnel, with an annual marketing volume exceeding RMB300 million.

During the Reporting Period, the Company won a number of special awards. We have obtained 18 patents, 3 software copyrights, 3 Zhantianyou Awards, 20 design awards, 8 construction awards, 7 technical progress awards and 7 quality management awards.

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

THE COMPANY'S MANAGEMENT MEASURES IN 2019

In 2019, domestic economic situation will remain stable with changes, but will be subject to great downward pressure. Investment in urban rail transit tends to slow down, and domestic markets still remain stagnant, while market competition is intensified. The Company will persistently insist on the mainline of high-quality development and adhere to the overall work principle of intensively developing design and consultancy business, general construction contracting and actively developing new business. On one hand, the Company will actively respond to pressure and challenges, greatly develop markets and promote upgrading of management; on the other hand, the Company will strictly control budget, strengthen cost and cash flow management and boost the sustainable and high-quality development of the enterprise.

In 2019, details of the Company's management measures are divided into five major aspects as follows:

I. The "carrier cluster" of survey, design and consultancy sets sail again

The Company will spare no efforts to expand the rail transit design business by exploring the existing markets to maintain its leading position of urban rail transit design and vigorously expanding the new rail transit market, push forward the field-wide design by giving full play to the A-grade qualification in design to extend the scope of design, actively expand to new fields such as industrial design, product design and cultural tourism consultation, and encourage the studio system in the emerging design fields to further stimulate business operation; expedite international business layout, expand overseas market, and improve market development approaches, project management mode and technical service system according to different characteristics of rail transit and civil engineering and municipal business, cultivate international talents with great efforts, and further improve the core competitiveness of design business.

II. Highlight the featured EPC brand of engineering segment, and promote the sound and long-term development of the investment and financing business

The Company will develop new markets in other cities, get a deep insight into and summarize the experience of successful EPC projects based on high-standard performance marketing, form an efficient EPC management mode, and resolutely implement the principle of project management, i.e., "clear responsibility, clear objectives, clear process and clear results" and "be fair in meting out rewards or punishments". The Company will, on the premise of properly implementing projects in Beijing market, insist on the going-out strategy, promote the localization of foreign institutions, greatly develop markets in the Yangtze River Delta, the Pearl River Delta and Western China, and highlight the featured EPC brand.

III. Improve technology innovation kinetic energy and fully improve social influence

Adhering to market orientation, the Company will strengthen its independent innovation and industrial application capabilities in an all-round way, conduct research and development on the new generation of light rail system products and Jinlongyun system products for tram, etc., so as to realize the transformation from adapting to the market to creating the market, leading the development of the future light rail and tram market. The Company will keep innovating scientific and technological development system and mechanism and focus on building national labs, corporate innovation centers, mobile post-doctoral stations, energy conservation centers, rail structure centers and other ministerial and provincial innovation platforms. The Company will build the innovation chain integrating scientific research, talents, platforms and application of achievements, fully stimulate innovation vigor and collaborative efficiency, promote researches on key subjects, R&D of key technologies, application of technology integration, fully improve enterprise scientific research kinetic energy and drive the development of industry chain of the Company.

IV. Ensure safety and quality, and establish quality demonstration projects

In respect of design segment, the Company will further promote the application of a number of new technologies, including online drawing review and e-signature, and will establish the normalizing mechanism of project site inspection service and build quality management database; in respect of construction segment, the Company will, closely centering on engineering practice, precontrol quality before actions, monitor quality in actions and review after actions, strictly implement quality accountability system, steadily implement training on new business, new technologies and new process, and greatly promote the standardization of construction technologies.

V. Strengthen the building of headquarters and guarantee high-quality corporate development

The Company will actively promote the initial public offering of A shares of the Company, and use this as an opportunity to comprehensively improve the level of market expansion, production and operation and internal control management, and create a new pattern of high-quality development of the Company. The Company will fully implement the virtual legal person operation management, strengthen guidance, publicity and service, focus on supervision and control of key section, strengthen internal control management system, normalize and fully cover business inventory work, and ensure the orderly implementation of business management activities. The Company will strengthen the design of the top-level system, optimize the organizational structure, and build a lean and efficient corporate headquarters with information construction, institutional capacity building, and internal control management. In addition, targeted at strengthening coordination and incremental development, the Company will strengthen coordination between internal and external systems, among regions and business segments and effectively utilize their respective advantages in market, resources and performance, to achieve the effect of 1+1>2, and realize coordinated development and win-win cooperation.

MARKET LANDSCAPE AND BUSINESS OUTLOOK

Urban Rail Transit Transforms from High Speed to High quality, with 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 2018, there was an aggregate operating rail transit distance of 5,766.6 km in 35 cities in mainland China. In 2018, there was one new operating city, namely Urumqi and there were 22 newly operating lines and 14 newly extended sections with newly added operating distance of 734.0 km. In 2018, China's urban rail transit construction completed the tendering of the general contracting for design of 16 new lines (including the general contracting for overall design, design general contracting and survey and design general contracting). The Company won 6 bids in 6 cities, ranked first in terms of total bid winning.

On 13 July 2018, the General Office of the State Council of the People's Republic of China issued the "Opinions on Further Strengthening Management of Urban Rail Transit Planning and Construction" (Guo Ban Fa [2018] No. 52) (the "**Opinions**") to guide the industry development in the future as a new policy document. Continuously adhering to the policy of "orderly development within capabilities", on the basis of summarizing the development experience of the industry, the Opinions has adjusted the conditions for access to urban rail transit, according to the idea of "there is urban rail transit demand in a city, where the government can afford the construction, the potential passenger flow is sufficient and it is easy to do data statistics". The construction of urban rail transit has shifted from a high-speed growth phase to a high-quality development phase. The Opinions raised the relevant economic indicators and declaration requirements for the construction of metro and light rails, and clarified the future trend of coordinated development of urban rail transit. Under such situation, it is expected that the construction of light rail will be the focus of China's urban rail transit development in the future. At least 50 cities including Haikou, Yantai and Zhongshan will adjust their original construction plans and plan to build light rail or other modes.

As of 31 December 2018, in the field of urban rail transit, the Company has undertaken the general contracting business of 155 lines in 38 cities, of which 67 lines have been put into operation with operating distance of 1,433 km, accounting for approximately 25% of the operating distance in China.

EPC

The second item under Chapter 15 of the ''13th Five-Year Plan for Housing and Urban-Rural Development Business'' issued by the Ministry of Housing and Urban-Rural Development (MOHURD) stated that: "Vigorously promote EPC projects and facilitate the deep integration of engineering, procurement, construction and other stages." Currently, state-owned investment projects are vigorously promoting the EPC model, with engineering projects as the core, advanced technology applications as the means, and professional division of labor as the link, building a reasonable project subcontracting relationship, establishing a project organization implementation mode with strong general contracting management, developed professional subcontracting, and flat organizational structure, and fostering a new organization structure of construction industry with comprehensive professions, reasonable distribution and fitting together of parts. Under such a background, the Company undertook a number of EPC projects in many cities including Beijing, Qingdao, Anqing, Delingha, Sanya, Kunming, Huangshan, Ningbo, Chengdu and Jinan, the scope of which covering rail transit, municipal engineering and civil construction. Besides, the Company won the bid for Gao'an New-type Urbanisation Construction Project (EPC) in Jiangxi Province and undertook the design work. This EPC project created the highest record of EPC projects under the civil construction segment in terms of single contract value. At the end of 2018, the Company won the bid for Jinan Rail Transit Line R1 EPC Project, entering Jinan rail transit EPC market for the first time and creating a new model for project management and market expansion related to civil construction segment.

At the beginning of 2018, in order to standardize the EPC activities of housing construction and municipal infrastructure projects, promote the deep integration of engineering, procurement, construction and other stages and improve the efficiency of project construction, the MOHURD formulated the "Management Measures for Housing Buildings and Municipal Infrastructure EPC Projects" (Draft for Comment), and ushered in an EPC era.

PPP

Since the second half of 2017, the Ministry of Finance has issued the "Notice on Rectifying the Management of Project Library of PPP Integrated Information Platform" (Cai Jing [2017] No. 92) to strengthen and standardize the management of PPP projects. The State-owned Assets Supervision and Administration Commission issued the "Notice on Strengthening the Control of PPP Business Risk of Central Enterprises directly under the Central Government" (Guo Zi Fa Cai Guan [2017] No. 192) to promote the development of PPP industry towards higher quality and more standardization. The implementation of PPP projects and related investment growth rate have slowed down, and the PPP project investment has entered the period of industry standardisation and stable development. As of the end of November 2018, the project library of PPP Integrated Information Platform recorded 8,557 PPP projects with a value of RMB14.88 trillion. At present, rail transit infrastructure construction is still the main field for the PRC to vigorously promote the PPP model, and is also the main investment direction of the Company in the PPP field in the near future.

Rail Transit in Coordination with Innovation Construction

The National Engineering Laboratory for Green & Safe Construction Technologies in Urban Rail Transit initiated by the Company has built 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 to actively promote the operation of the innovation platform. Through the laboratory, we would be able to realize the research and development of green construction, new track structure, informatization and basic soft technology and traffic simulation technology.

Technology Industrialisation

Under the new situation and new requirements, the Company gradually improved the technology innovation promotion mechanism and technology innovation platform with independent innovation as the core. The Company paid close attention to national development strategies and major development trends of the rail transit industry, and continuously strengthened the research and development of urban rail transit technology under the guidance of science and technology, humanities, green and innovation concepts. We actively participated in the establishment of the urban rail transit construction standard system, and aimed to build a diversified, large-scale, sophisticated and networked rail transit professional technical system with the goal of becoming a leader in the industry with sophisticated rail transit expertise. In 2018, the technology industrialization sector made further progress in the four major product systems of tram intelligent control products, track products, metro automation products, and industrial intelligent control, actively adapted to strategic changes in the urban rail transit industry, and vigorously laid out the research and development direction of light rail products.

Integrated Development of Rail Transit Property

Through the design of rail transit stations and surrounding areas, the Company focused on the land around stations and improved urban functions of surrounding areas and environmental quality, to promote the coordination between land development around stations and urban development strategies and realize the "five integrations" of functional development strategies, land use planning, spatial landscape design, integrated transportation design, and land use benefits of rail transit stations and their surrounding areas. The Company strove to continuously improve and innovate in such aspects as vertical traffic connection, vibration and noise reduction, throat area coverage, structural layer conversion, roof greening and project model, so that the comprehensive development projects of stations and yard will become high-quality complex which can be integrated with urban surroundings and be complementary to urban functions.

The Company's property development business, relying on its rail transit design technology strength, was devoted to product innovation in two aspects, namely integrated development of transportation hub and top-head development at rail yards. The Company also followed up TOD projects in cities with good economic performance including Nanjing (Jiangsu Province), Zhengzhou (Henan Province), Changchun (Jilin Province), Kunming (Yunnan Province), Hangzhou (Zhejiang Province) and Shaoxing (Zhejiang Province).

Water Environment Comprehensive Improvement Project

The report of the Party's 19th National Congress stated that: "Man and nature form a community of life; we, as human beings, must respect nature, follow its ways, and protect it. The modernization that we pursue is one characterized by harmonious coexistence between man and nature. We should, acting on the principles of prioritizing resource conservation and environmental protection and letting nature restore itself, develop spatial layouts, industrial structures, and ways of work and life that help conserve resources and protect the environment. With this, we can restore the serenity, harmony, and beauty of nature." In the Plans for Water Pollution Prevention and Control in Key River Basins (2016-2020), the National Development and Reform Commission has estimated the investment in key projects in key river basins, totaling RMB700 billion. Among such investment, "urban sewage treatment and supporting facilities construction", in addition to sewage treatment facilities, also including sewage pipe network and other works, reaches an amount of approximately RMB316 billion. According to the plan, there will be nearly RMB200 billion of investment from 2019 to 2020, and there are still 91 black and odorous water bodies under the stage of plan formulation, which attracts our attention to make relevant layouts.

Urban and Rural Planning and Architectural Creation

More large-scale projects with greater influence will be launched before the 2022 Winter Olympics. The Creative Center will put the Company's development strategy of coordination between each segment into practice, and focus on the EPC and construction investment segments of the BUCG, and seek cooperation in the areas of urban development, landscaping and architectural design consultation in Beijing, Tianjin and Hebei. Seizing opportunities arising from the national strategy of building Hainan international tourism island and establishing national free trade zone, the center will open up new markets for planning and design in Haikou and Sanya. Meanwhile, with the help of establishment of local natural resources management bureaus, we will strive to realise continuous and further cultivation of urban planning and design market.

Utility Tunnel

At present, the construction of utility tunnel projects adheres to the principle of adapting to local conditions and orderly progress, and strives to create a market environment for the sustainable development of utility tunnel. Relevant units across the country have discovered the market potential of utility tunnel, so many of them have stepped up their marketing and business development efforts in utility tunnel business. The market competition is becoming increasingly fierce.

Through maintaining a favourable interaction and close collaboration with government agencies and competent industry authorities such as local development and reform commissions, planning and land resources committee and housing and urban-rural development commissions, and the domestic well-known planning institutes, the underground and air tunnel center caters to national and global development and construction needs, cultivates underground space and tunnel market jointly, and maintains a pleasant atmosphere in the 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 National Development and Reform Commission put forward new opinions on rail transit planning and construction, and the General Office of the State Council issued "Opinions on Further Strengthening Management of Urban Rail Transit Planning and Construction" (Guo Ban Fa [2018] No. 52) (《關於進一步加強城市軌道交通規劃建設管理的意見》(國辦發[2018]52號)) on 13 July 2018. The document revises the original basic conditions for urban rail transit construction, sets new requirements about municipal government revenue and budget, gross domestic production and permanent residents, and cites the statement of Ministry of Finance to promote standardised PPP project management. The document promotes the standardisation and development of China's rail transit construction industry, serves as a policy support to the Company to leverage its technical and market advantages to participate in the rail transit construction in a sound and orderly manner, therefore improving its market share.

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

Exchange Rate Risks

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

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

Risks on Market Competitions

Under the 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. While facing fiercer competition, if the Company were unable to put forward a positive market strategy, it would 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 2019 will be a crucial year for the country to achieve the first Centenary goal of building a moderately prosperous society in all respects. The state will fully implement the strategic deployment at the 19th CPC National Congress, comprehensively promote the Five-Sphere Integrated Plan, coordinate and push forward the Four-Pronged Comprehensive Strategy, adhere to the general principle of pursuing progress while ensuring stability; continue to apply the new development philosophy; continue to work for high-quality development; continue to pursue supply-side structural reform as our main task; continue to deepen market-orientated reforms and expand high-standard opening up; work faster to modernize the economy. In 2019, the state will promote the value preservation and appreciation of state-owned assets to a deeper and wider extent, facilitate state-owned capital to improve quality and grow stronger, further advance consolidation and integration to continuously optimize the layout and structure of state-owned capital, and develop market-oriented economy and modern economic system with Chinese characteristics as the main driving force. The government will maintain stability while seeking progress, push forward steady growth in all aspects by promoting stability in employment, finance, foreign trade, foreign capital, investment and expectations, so as to maintain sustainable and sound economic development and overall social stability. To this end, the Company will make active response and seek for steady progress, striving to play a bigger part and create greater value in the urban rail transit industry.

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

DIVIDEND

On 29 March 2019, the Board has resolved to distribute final dividends for the year at RMB0.1102 per share (before applicable taxes) after appropriation to the statutory reserve in accordance with relevant laws and regulations. The proposal for the payment of final dividends is subject to the approval of shareholders of the Company at the 2018 annual general meeting to be held on 29 May 2019. If approved, dividends are expected to be paid before 31 July 2019 to shareholders whose names appear on the register of members of the Company on 12 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29 April 2019 to Wednesday, 29 May 2019 (both days inclusive). Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Wednesday, 29 May 2019 shall be entitled to attend and vote at the annual general meeting. Holders of H Shares who intend to attend and vote at the annual general meeting shall lodge all transfer documents accompanied by relevant share certificates 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, no later than 4:30 p.m. on Friday, 26 April 2019 for registration.

For the purpose of determining the entitlement to the distribution of final dividends, the register of members of the Company will be closed from Friday, 7 June 2019 to Wednesday, 12 June 2019 (both day inclusive). Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Wednesday, 12 June 2019 are entitled to receive final dividends. Holders of H Shares who are entitled to final dividends shall lodge all transfer documents accompanied by relevant share certificates 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, no later than 4:30 p.m. on Thursday, 6 June 2019 for registration.

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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and adopted in its best practice proposed thereof as appropriate.

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.

SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2018 annual results and the consolidated financial statements for the year ended 31 December 2018 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
Shi Yubin
Chairman

Beijing, the PRC, 29 March 2019

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 Shi Yubin, Tang Shuchang, Wu Donghui, Guan Jifa, Ren Yuhang, Su Bin, Yu Xiaojun and Ren Chong; and the independent non-executive directors of the Company are Wang Dexing, Yim Fung, Sun Maozhu, Liang Qinghuai and Qin Guisheng.