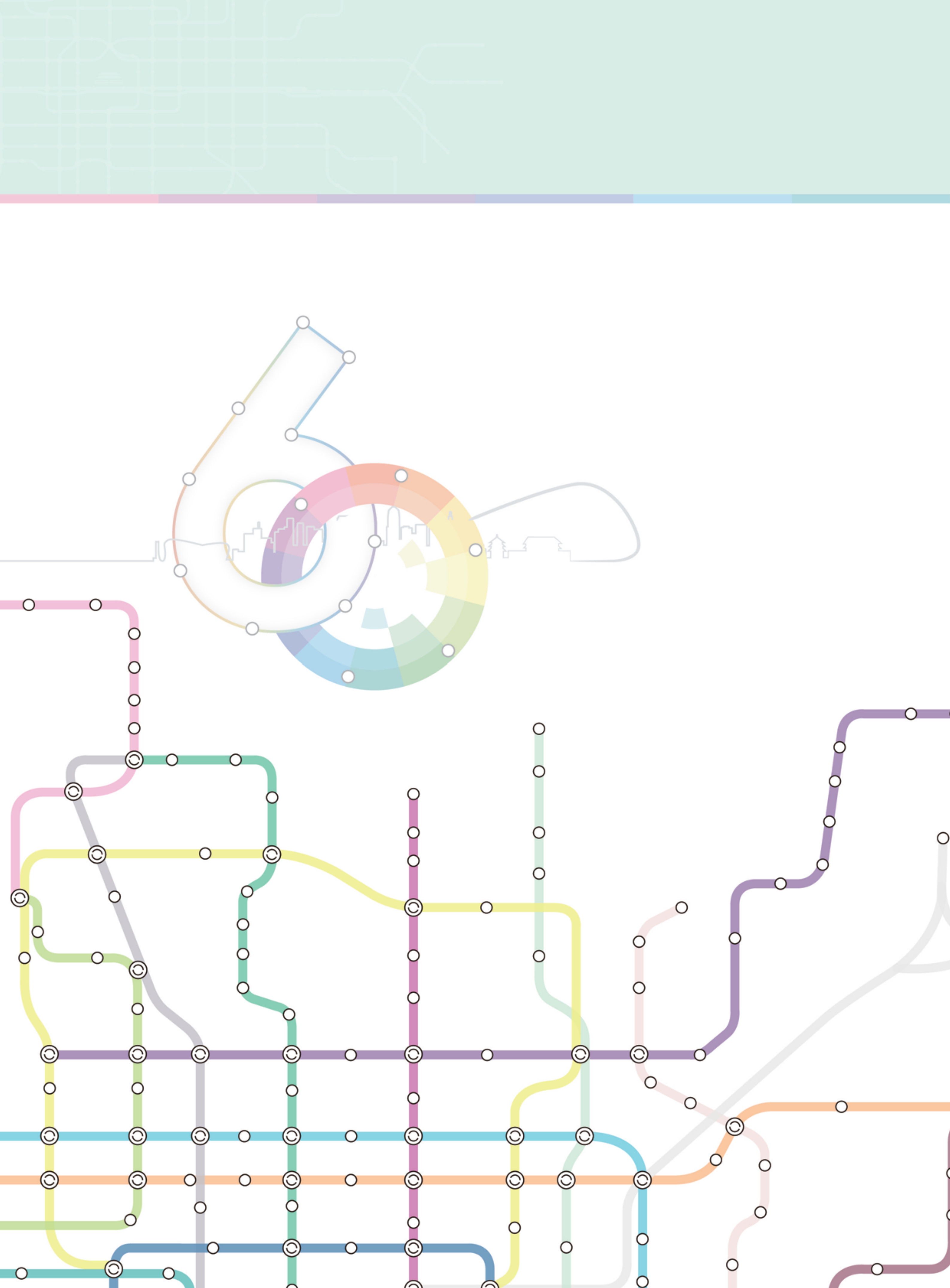
北京城建設計發展集團股份有限公司
BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1599

2018
Annual Report



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DEFINITIONS

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

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

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"PRC" or "China"	the People's Republic of China
"Reporting Period" or "the Year"	the year ended 31 December 2018
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Supervisor(s)"	supervisor(s) of the Company
"Anhui Jingjian"	Anhui Jingjian Capital Construction Investment Co., Ltd.
"Yunnan Jingjian"	Yunnan Jingjian Capital Construction Investment Co., Ltd.
"Guizhou Jingjian"	Guizhou Jingjian Capital Construction Investment Co., Ltd.
"%"	Per cent
"MOHURD"	the Ministry of Housing and Urban-rural Development of the PRC
"NDRC"	the National Development and Reform Commission of the PRC
"MOF"	the Ministry of Finance of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council

CORPORATE INFORMATION

REGISTERED NAME:

Chinese:
北京城建設計發展集團股份有限公司

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

LISTING PLACE OF H SHARES:

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK:

H shares

STOCK NAME:

UCD

STOCK CODE:

1599

H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:

5 Fuchengmen North Street,
Xicheng District,
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

LEGAL REPRESENTATIVE:

Mr. Shi Yubin

SECRETARY OF THE BOARD:

Mr. Xuan Wenchang

JOINT COMPANY SECRETARIES:

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

WEBSITE:

www.bjucd.com

AUDITOR:

Ernst & Young

LEGAL ADVISORS:

As to Hong Kong Laws:
Clifford Chance

As to PRC Laws:
Haiwen & Partners

For the year ended 31 December 2018, the Group achieved revenue of RMB7,186 million, while the net profit for the Reporting Period amounted to RMB554 million.

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

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

	For the year ended 31 December			
	2018	Percentage of operating revenue	2017	Percentage of operating revenue
	RMB'000	(%)	RMB'000	(%)
Design, survey and consultancy	**3,514,181**	**48.90**	2,976,736	42.69
Construction contracting	**3,671,965**	**51.10**	3,995,809	57.31
Total	**7,186,146**	**100.00**	6,972,545	100.00

For the year ended 31 December 2018, the Group's total revenue was RMB7,186 million, representing an increase of RMB213 million or 3.05% compared with the corresponding period of last year, mainly attributable to the steady growth of design, survey and consultancy business.

The financial information for the years of 2014, 2015, 2016, 2017 and 2018 prepared by the Group in accordance with the International Financial Reporting Standards is summarized as follows:

	As at 31 December/Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**16,402,288**	14,341,844	11,003,118	7,739,604	6,711,561
Total liabilities	**11,819,183**	10,158,526	7,485,646	4,725,866	4,088,871
Non-controlling interests	**265,254**	262,742	223,304	88,314	22,735
Interests of the owners (excluding non-controlling shareholders)	**4,317,851**	3,920,576	3,294,168	2,925,424	2,599,955
Revenue	**7,186,146**	6,972,545	5,090,073	4,008,513	3,346,278
Gross profit	**1,423,801**	1,343,218	1,103,034	833,976	753,916
Profit before tax	**686,932**	608,755	566,966	461,923	413,758
Profit attributable to owners of the parent	**562,382**	495,919	471,950	397,629	349,817

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the 2018 annual results on behalf of the Board of the Group.

The year 2018 is the beginning year to implement the spirit of the 19th CPC National Congress, the 40th anniversary of China's reform and opening-up, a crucial year to build a moderately prosperous society in all respects and a key and transitional year to implement the "13th Five-Year" Plan for China. China's economy has shifted from the phase of rapid growth to high-quality development. The year 2018 is also the 60th anniversary of the Group's establishment and is a completely new starting point for us to move towards high quality development. Beijing Urban Construction Design & Development Group Co., Limited, which celebrated its 60th anniversary, firmly implemented its strategy and forged solid foundation for its business. It has continued to promote steady growth of its business, expand profit margins through multiple channels, comprehensively strengthen risk prevention and control, and showed a good momentum of "stable with improvement" in development performance. Revenue for the year ended 31 December 2018 amounted to RMB7,186 million, and the net profit amounted to RMB554 million. Various key operating indicators of the Group have been steadily improved, and the advantages of the whole rail transit industry chain have emerged. Through the core competitiveness, the Group's comprehensive strength has been continuously improved.

In 2019, the Group, by continuous adherence to the core corporate values of customer first, fighting will as the foundation, integrity and realism, pursuit of excellence and market-driven, is committed to strengthening its position as a leader in the urban rail transit industry. The Group will actively respond, make steady progress and develop based on its strategic plans, by expanding design and consultancy, strengthen construction contracting, and steadily develop investment-based rail transit and other infrastructure construction PPP business. The Group will promote the upgrading of the science and technology innovation system, and at the same time continue to strengthen the corporate management capabilities, enhance service awareness, improve social influence in all aspects, achieve high-quality development of the Company, and build a stable economic foundation to satisfy customers, shareholders and the society.

Lastly, I hereby take this opportunity to express my sincere appreciation to the shareholders, customers and business partners who have been supporting and trusting the Group, and my gratitude for the continuous efforts and solid contributions made by our Directors, Supervisors, senior management and all staff of the Group.

Shi Yubin
Chairman

Beijing, 29 March 2019

GENERAL MANAGER'S STATEMENT

Dear shareholders,

In 2018, coincided with the 40th anniversary of the reform and opening-up of the PRC, the Company celebrated its 60th anniversary. The Company adhered to the coordinated development of the whole industry chain of rail transit, adhered to customer first, fighting will as the foundation, strengthening coordination, emphasizing on the market, stabilizing the growth, and preventing risks to carry out high-quality development of the enterprise.

In the year 2018, the Company's urban rail transit design consulting market share ranked first in the country. The Company newly obtained six general design contracts, including Phase II Project for Chongqing Rail Transit Line 4 and Xi'an High-tech Zone Cloud Track Demonstration Line, and continued to be crowned in the "2018 China Urban Rail Transit Design General Contracting List". The Company Won the bidding for the construction general contracting of the Civil Air Defense Project for Changchun Line 2 West Extension and Dalian Metro Line 5, which marked a new breakthrough in the civil air defense market. The Company entered Xiong'an, a national level new district, for the first time; newly expanded business into more than ten cities including Dongying, Wuhu and Huai'an, and practiced the main tone of corporate development by market development. The first urban light rail of Vietnam, a Belt and Road Initiative country, was successfully put into operation, achieving Chinese design and Chinese standards going abroad. We explored overseas markets such as Israel and Mozambique and continued to expand the Company's overseas market.

In the year 2018, we considered urban rail transit as the core for diversified horizontal expansion and deep vertical development. From the leading rail transit design, surveying, civil construction, municipal design, and then to civil air defense design, art design, smart city, environmental restoration, cultural innovation strategy and operational consulting, etc., a high-value field with full coverage of design is constantly growing.

In the year 2018, the construction general contracting market achieved a milestone breakthrough. The Company formed a consortium with China Railway Construction Corporation Limited and won the bid of RMB11.2 billion for Guangzhou Rail Transit Line 10, which was the largest bid won in the history of the Company's construction general contracting business. The Delingha Tram Phase I, the highest altitude tram in the world, was put into operation. The construction general contracting business was moving towards the goal of larger market scale, stronger management capability and higher income level.

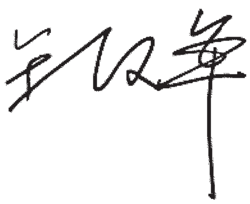
In the year 2018, our new business was booming and growing. The Middle Section of Dianzhong Airport Avenue, the first municipal road PPP project in Yunnan Province, was put into operation, and the Zunyi Fengxin Express Steel Bridge, the largest municipal steel bridge in PRC, was smoothly connected. As a revolutionary innovation of the urban rail transit control system, cloud transportation automation system achieved results in Kunming Metro Line 4, and the four product series of technology industrialization won new orders. The Kunming Metro Line 4 has completed the establishment of the operating company and was actively preparing for operation and management. The PPP of the outer ring north road, Anqing and Dianzhong Airport Avenue entered the operating return period.

GENERAL MANAGER’S STATEMENT (CONTINUED)

In the year 2018, science and technology innovation has injected new impetus into development. The construction of national engineering laboratories for green construction of rail transit was completed and put into use. The postdoctoral research station, the second national level innovation platform, was successfully approved and the construction of Beijing enterprise innovation platform commenced. Qingdao Line 3 won the 15th Zhan Tianyou Award, and the outer ring north road, Anqing won the 2018–2019 China Construction Engineering Luban Award.

In the year 2018, management innovation released high energy for development. We promoted virtual legal person management, regional management reform, independent auditing of design institute, vigorously promoted “four clear and one distinct”, promoting operation efficiency through innovation of management model. We vigorously promoted the collaborative marketing and strove to build an industrial value chain.

In 2019, we will usher in the 70th anniversary of the founding of New China. It is also a crucial year for the Company to achieve its goal of becoming a ten billion company in 2020. With a new starting point, a new journey, and new actions, we will participate in competition with adherence to sense of mission, and write a new chapter in the leap-forward development of enterprises with the spirit of lose no time and progress forward with difficulties conquered.



Wang Hanjun
General Manager

Beijing, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

RMB **348.19** million

Number of employees of the Group

4,391

Profit for the year

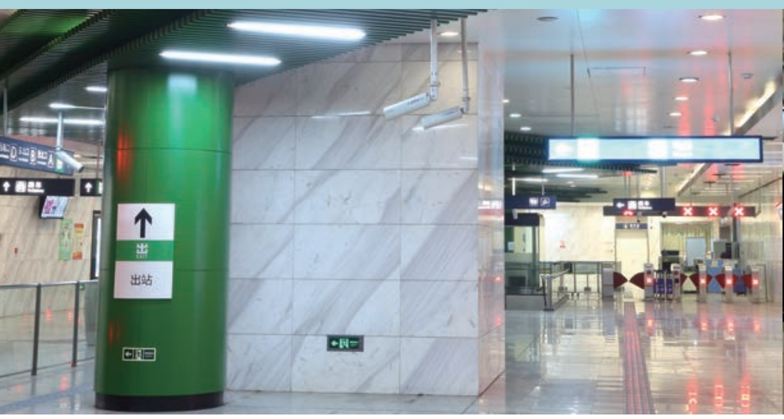
Increased by **8.20%**

Gross profit increased by

6.03%

Revenue from Construction contracting business

RMB **3,672** million



Total revenue
RMB **7,186** million

Profit for the year
RMB **554** million

Revenue from Design, survey and consultancy business
RMB **3,514** million

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 (RMB'000)	2017 (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.

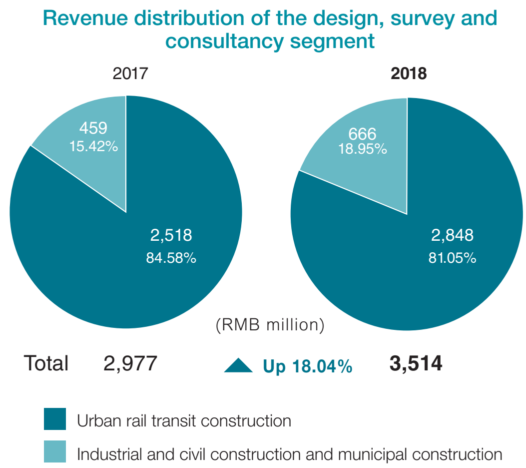
An analysis of revenue by segment is as follows:

Products by industry	Year ended 31 December 2018 (RMB'000)	2017 (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

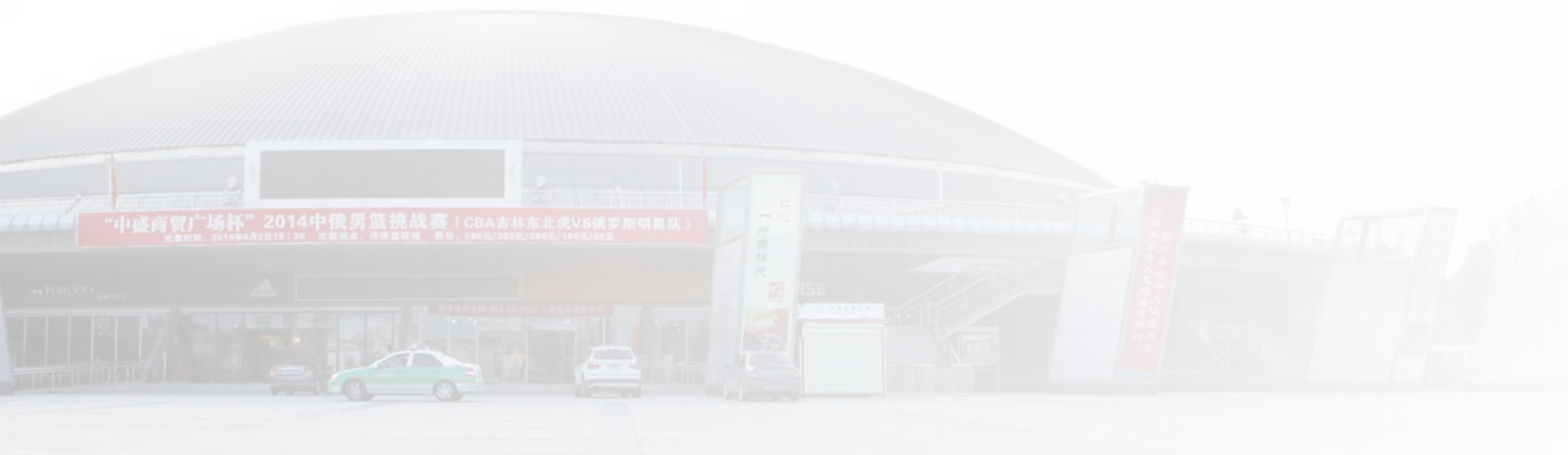
The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal administration. The design, survey and consultancy segment has been the traditional and core business of the Group. 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.

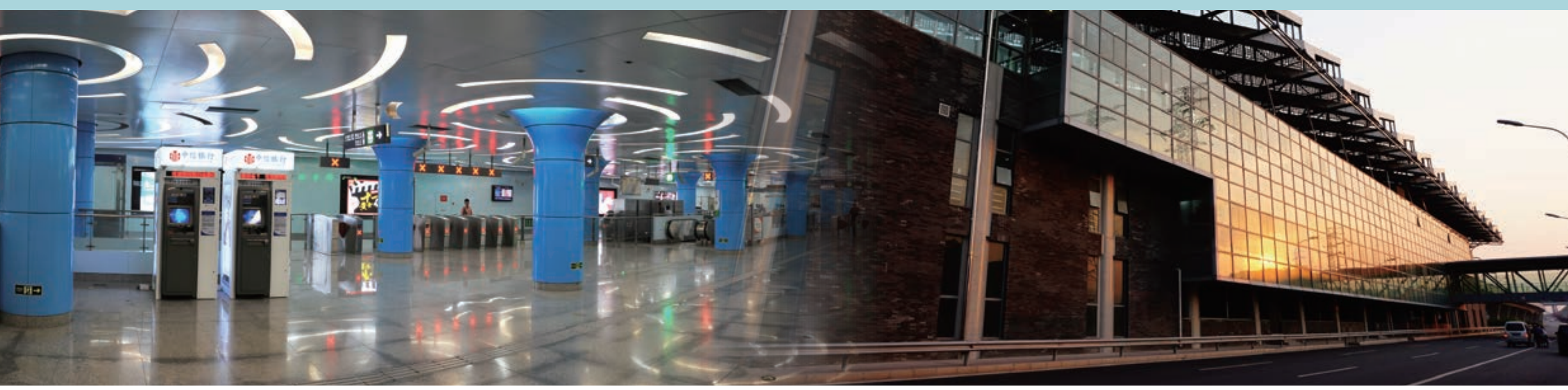
For the year ended 31 December 2018, the design, survey and consultancy segment of the Group achieved a revenue of RMB3,514 million, representing an increase of RMB537 million or 18.04% compared to RMB2,977 million for the corresponding period in 2017. Among which, the revenue of the urban rail transit construction 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 construction 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

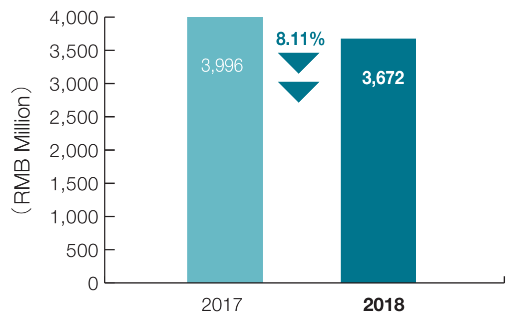
The construction contracting segment of the Group focuses on the services for urban rail transit construction projects and relevant infrastructure construction projects. The construction contracting projects undertaken by the Group covered cities, including Beijing, Kunming, Zunyi, Suzhou, Zhengzhou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

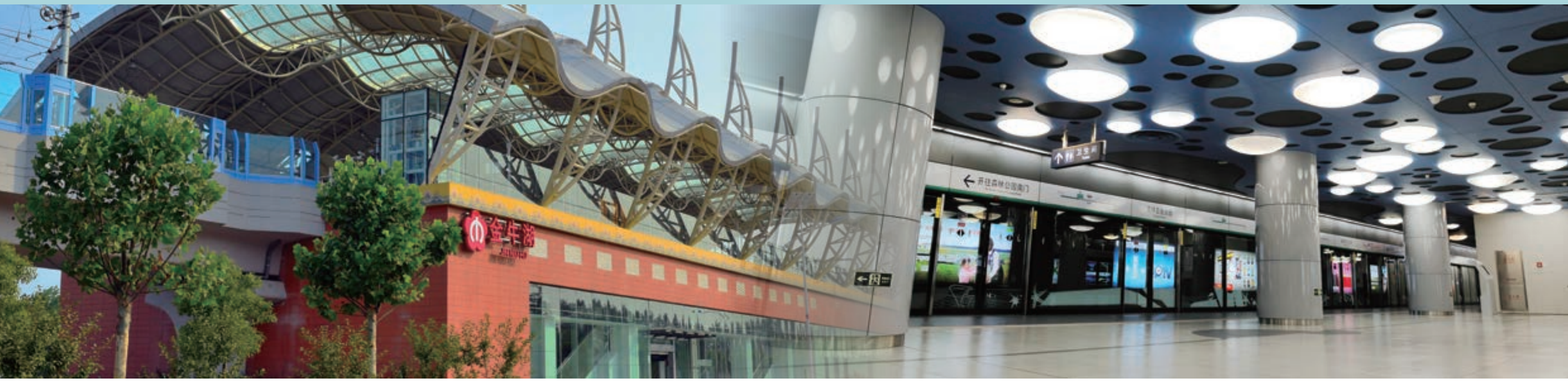




For the year ended 31 December 2018, the Group's revenue from the construction contracting segment was RMB3,672 million, representing a decrease of RMB324 million or 8.11% compared to RMB3,996 million for the corresponding period of last year. Such decrease was mainly attributable to a year-on-year decrease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

Revenue from the construction contracting segment





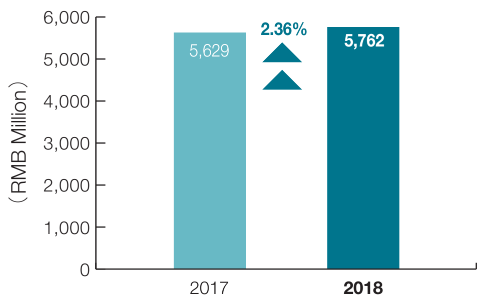
COST OF SALES

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.

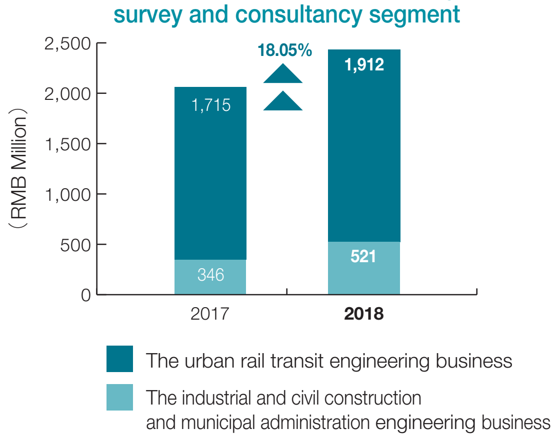
For the year ended 31 December 2018, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,433 million for the year from RMB2,061 million for the corresponding period of last year, representing an increase of 18.05%. Among that, the cost of sales of the urban rail transit 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%.

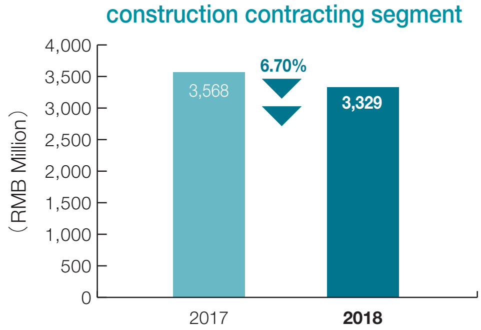
Cost of sales



Cost of sales of the Group's design, survey and consultancy segment



Cost of sales of the Group's construction contracting segment



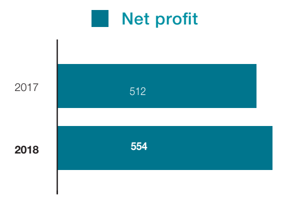
GROSS PROFIT AND GROSS MARGIN

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.

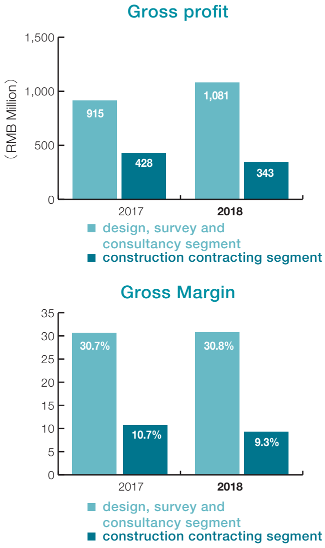
The gross profit of design, survey and consultancy segment increased to RMB1,081 million for the current year from RMB915 million for the corresponding period of last year, representing an increase of RMB166 million or 18.14%. The gross margin was 30.8%, which was similar to the corresponding period 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.

Net profit

(RMB Million)



Gross profit and gross margin



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 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 standard. 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 tax.

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

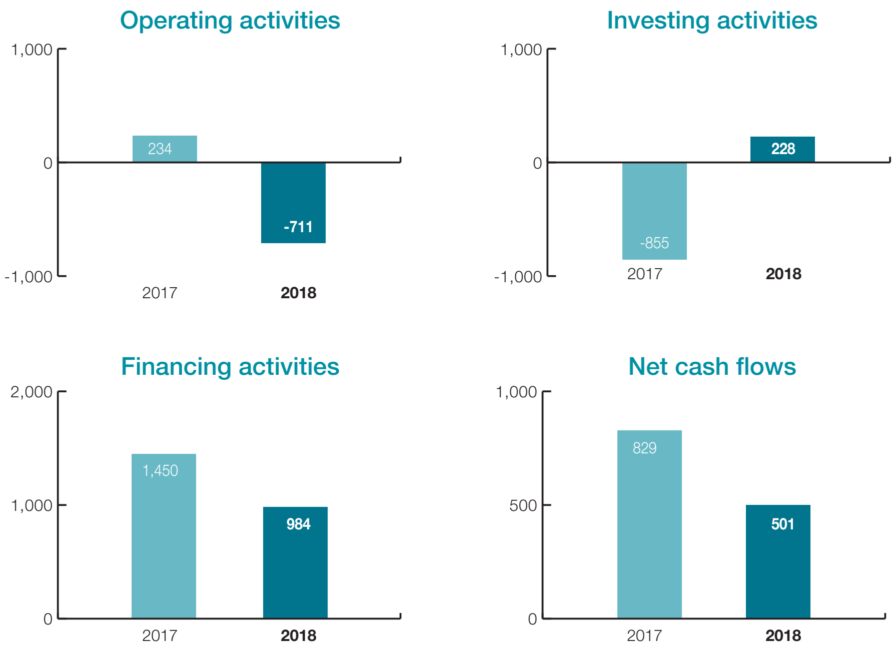
The table below sets forth the cash flows of the Group for the indicated periods:

	Year ended 31 December	
	2018 (RMB'000)	2017 (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 RMB410 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.

CASH FLOWS

(RMB Million)



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, guarantees for interest-bearing bank borrowings to a joint venture by the Group and the outstanding balance of such guarantees 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 (RMB'000)	31 December 2017 (RMB'000)
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. The Group did not carry out hedging against exchange rate risk.

USE OF PROCEEDS

The Issuance of H Shares

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, and built and continuously improved the performance incentive system in accordance with the features of each business segment of the Company.

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.

RETIREMENT POLICY

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

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2018 and 2017 were computed by an independent qualified actuarial firm, Towers Waston Consulting Company Limited (韜睿惠悦諮詢公司) using the projected unit credit actuarial valuation method.

EVENTS AFTER THE BALANCE SHEET DATE

Connected Transaction: Establishment of A Joint Venture Company

On 29 March 2019, the Board considered and approved the resolution in relation to the Company's participation in the investment of PPP project of Shaoxing Urban Rail Transit Line 1, pursuant to which, among other things, the Company proposed to enter into a joint venture agreement with Beijing Infrastructure Investment Co., Ltd. ("**Beijing Investment Company**"), Beijing Metro Vehicle Equipment Co., Ltd., Beijing Municipal Road and Bridge Co., Ltd. and Shaoxing Rail Transit Group Co., Ltd. to jointly establish a Joint Venture Company to implement the Shaoxing Rail PPP Project. For details of the above establishment of a joint venture company, please refer to the announcement published by the Company on 29 March 2019.

Proposed Extension of the Validity Period of the A Share Offering Plan and the Authorization Concerning the A Share Offering and Adjustments to the Use of Proceeds from the Initial Public Offering of A Shares and Feasibility Analysis

On 29 March 2019, as the validity period of the issuance plan of application for the initial public offering of A shares and listing (the "**A Share Offering Plan**") and the authorization to the Board to handle the relevant matters of the application for initial public offering of A shares and listing at its absolute discretion (the "**Authorization concerning the A Share Offering**") will expire on 28 May 2019 and the relevant work for the initial public offering of A shares and listing is still in progress, in order to ensure the smooth process of the relevant work, the Company proposed to extend the validity period of the A Share Offering Plan and the Authorization concerning the A Share Offering for 12 months with effect from the date of approval at the 2018 annual general meeting, the first domestic shares class meeting in 2019 and the first H shares class meeting in 2019 of the Company.

On the same date, due to the change in the Company's need for research and development and the change in the construction site, the Company proposes to make adjustments to the implementation site of the proceeds investment project and part of the construction, and make corresponding adjustments to the feasibility study report on investment projects funded by proceeds from initial public offering of A shares and listing.

For details of the above proposed extension of the validity period of the A Share Offering Plan and the Authorization concerning the A Share Offering and adjustments to the use of proceeds from the initial public offering of A shares and feasibility analysis, please refer to the announcement published by the Company on 29 March 2019.

Proposed Amendments to the Articles of Association

On 29 March 2019, in view of the business development needs of the Company and the amendments to the provisions of the Corporate Governance Code and the relevant Hong Kong Listing Rules on the Hong Kong Stock Exchange, the Company proposed to amend the existing Articles of Association. For details of relevant amendments, please refer to the announcement published by the Company on 29 March 2019.

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.

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, pre-control 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 of design and construction general contracting, 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 Ban Jin [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 support 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.

DIRECTORS

Executive Directors

Mr. Wang Hanjun (王漢軍), aged 54, is an executive Director, general manager and deputy party secretary of the Company. He has been the president, deputy party secretary and Director of the Company (the predecessor of which is Beijing Urban Construction Design & Research Institute) since May 2011 and was appointed as an executive Director and general manager of the Company on 28 October 2013. Mr. Wang worked for the First Branch of Beijing Urban Construction No. 3 Corporation (北京城建三公司一分公司), which is primarily engaged in engineering construction, from July 1988 to March 1994. He was the manager of Second Project Department of Beijing Urban Construction Yatai Co. (北京城建亞泰公司) from March 1994 to December 1994, and was the deputy manager of Beijing Urban Construction Yatai Construction and Engineering Co., Limited (北京城建亞泰建設工程有限公司), which is primarily engaged in engineering construction, from December 1994 to November 2003. Between November 2003 and August 2004, he served as a director, deputy chairman, manager and deputy party secretary of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司). He was a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited (北京城建投資發展股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) from August 2004 to October 2004, and concurrently acted as director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited, and director and chairman of Beijing Donghu Real Estate Co. (北京市東湖房地產公司), which is primarily engaged in real estate development, from October 2004 to May 2006. He continued to act as a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited from May 2006 to October 2007. From October 2007 to December 2007, he held the position of manager of Beijing Urban Construction Xincheng Investment & Development Co., Limited (北京城建新城投資開發有限公司), a subsidiary wholly-owned by BUCG primarily engaged in real estate investment. Then he worked as its manager and director from December 2007 to July 2012. Mr. Wang graduated from Tsinghua University with a bachelor's degree of engineering in water resources and hydropower engineering and construction in July 1988. Mr. Wang was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2015 and obtained the qualification of grade-one constructor from the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) in February 2005.

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

Mr. Li Guoqing (李國慶), aged 52, is an executive Director, deputy general manager and party secretary of the Company. Mr. Li has been working for the Company since July 1990. He held the position of the secretary of Youth League Committee (團委書記) of the Company from April 1993 to August 1998 and was the vice president of Metro and General Municipal Institute (地鐵市政院) of the Company from August 1998 to September 1999. He worked as the vice president of the Company from September 1999 to March 2001, and was the party secretary and vice president of the Company from March 2001 to November 2002. He has been the party secretary, vice president and Director of the Company since November 2002, during which he also held the position of general manager in China Metro Engineering Consulting Co., Ltd., which is primarily engaged in engineering consultancy, between September 2006 and May 2012. Mr. Li obtained a bachelor's degree in engineering majoring in heating, ventilation and air conditioning from Tsinghua University in July 1990. He obtained a master's degree and a doctor's degree of engineering both majoring in heating, gas, ventilation and air conditioning engineering from Tianjin University in March 2009 and June 2012, respectively. He was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2005. He obtained his certificate of PRC registered utility engineer (中國註冊公用設備工程師) from the Ministry of Housing and Urban-Rural Development in October 2010. Mr. Li was a representative of the 15th and 16th People's Congress of Xicheng District, Beijing.

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

Non-executive Directors

Mr. Shi Yubin (史育斌), aged 46, chairman and a non-executive Director of the Company, senior engineer, currently serves as a member of the Party Committee and deputy general manager of BUCG. From July 1994 to September 2003, he successively served as technician, project manager, assistant to the general manager and deputy general manager of Beijing Urban Construction No. 5 Corporation (北京城建五公司). He served as the general manager and deputy secretary of the Party Committee of Beijing Urban Construction No. 10 Corporation (北京城建十公司) from September 2003 to February 2006. He served as the general manager of engineering general contracting department of Olympic Village, deputy general manager of engineering general contracting department, assistant to the general manager and general manager of construction engineering general contracting department of BUCG from February 2006 to February 2013. He has served as a member of the Party Committee and deputy general manager of BUCG since February 2013. He obtained a bachelor's degree in engineering from Shaanxi University of Technology (陝西理工大學) (formerly known as Shaanxi Institute of Technology (陝西工學院)) in July 1994, majoring in industrial and civil construction, and he obtained a master's degree in EMBA from China Europe International Business School (中歐國際工商學院) in September 2011.

Mr. Tang Shuchang (湯舒暢), aged 58, is a non-executive Director of the Company. Mr. Tang worked as an assistant to the logistics department in Army 00092 of Infrastructural Engineering Brigade (基建工程兵零零零九二部隊) from December 1978 to July 1983; the officer of the finance division of Beijing Urban Construction No. 4 Corporation (北京城建四公司) from August 1983 to April 1991; the cost accountant of the finance department of Beijing Urban Construction Engineering Corporation from April 1991 to June 1995; the deputy head of the asset department of BUCG from June 1995 to June 1998; he has been the head of the capital management department of BUCG since June 1998; an assistant to the general manager of BUCG since March 2011; the supervisor and chairman of the board of supervisors of Beijing Urban Construction Investment Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600266) since July 2002. Mr. Tang graduated from Central College of Finance and Economics (中央財經學院) majoring in infrastructure finance and credit in July 1988; he was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee in September 1999.

Ms. Wu Donghui (吳東慧), aged 49, is a non-executive Director of the Company and the assistant of the manager of BUCG. Ms. Wu served as a budget clerk of the infrastructure division of Beijing Lianjiao Chemistry Factory (北京煉焦化學廠) from August 1991 to July 1993. She served as a member of the budget division of Beijing Urban Construction No. 3 Corporation (北京城建三公司) from July 1993 to May 1994. She served as a member of the budget division of Beijing Urban Construction Yatai Co., Ltd. (北京城建亞泰公司) from May 1994 to July 1997. She successively served as member of the operating division of engineering contracting department, member of the marketing department, deputy chief project economist, deputy head of the bidding division of engineering department, deputy manager and chief economist of the construction engineering general contracting department and head of the corporate management department of BUCG from July 1997 to March 2011; the deputy chief economist and the director of the enterprise management division of BUCG from March 2011 to January 2018; the deputy chief economist of BUCG from January 2018 to July 2018. She has served the current positions since August 2018. Ms. Wu obtained a bachelor's degree of engineering majoring in infrastructure management engineering from Tianjin University (天津大學) in July 1991, obtained a master's degree in economics from Central University of Finance and Economics (中央財經大學) majoring in national economics in March 2001 and obtained a master's degree in business administration from Guanghua School of Management of Peking University (北京大學光華管理學院) in July 2011. Ms. Wu was qualified as a professional senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in May 2018, obtained the qualification of cost engineer of Ministry of Housing and Urban-Rural Development in October 1997, obtained the qualification of corporate legal advisor of Ministry of Justice in October 2011 and obtained the qualification of certified public valuer of Ministry of Finance in September 2013.

Mr. Guan Jifa (關繼發), aged 53, is a non-executive Director, and is the deputy general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司). From July 1987 to August 1992, Mr. Guan worked at Heilongjiang Province Metallurgical Design and Planning Institute (黑龍江省冶金設計規劃院) as an engineer. He served as the project manager and deputy general manager of Beijing Urban Construction No. 3 Development Co., Ltd. (北京城建三建設發展有限公司) from June 1994 to April 2005. He served as the deputy general manager and general manager of Beijing Subway Construction Company (北京地下鐵道建設公司) from April 2005 to January 2008. He served as the chairman of Beijing Capital Investment Co., Ltd. (北京京創投資有限公司) from January 2008 to March 2010. He has successively served as the general manager, assistant to the general manager and deputy general manager of the land development business department of Beijing Infrastructure Investment Co., Ltd. since March 2010. He has been a non-executive director of BII Railway Transportation Technology Holdings Company Limited (a company listed on Hong Kong Stock Exchange, Stock Code: 1522) since October 2015. He has been the chairman of Beijing Railway Traffic Technology Equipment Group Co., Ltd. (北京軌道交通技術裝備集團有限公司) since July 2017. Mr. Guan obtained a bachelor's degree majoring in mining engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1987. From August 1992 to June 1994, he studied at Northern Jiaotong University (北方交通大學), majoring in railway engineering. From April 2002 to July 2004, he took an MBA course at University of International Business and Economics in China (對外經濟貿易大學) through on-the-job learning. In January 2009, he obtained a doctorate degree majoring in civil engineering construction and management from Xi'an University of Architecture and Technology (西安建築科技大學). Mr. Guan was awarded a senior engineer qualification by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999.

Mr. Ren Yuhang (任宇航), aged 43, is a non-executive Director of the Company, and the secretary of the board of directors (ranked as assistant to general manager) and general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. Mr. Ren served as an engineer of Henan Electric Thermal Power No.1 Company (河南省電力公司火電一公司) from July 1996 to September 2003. He served as the project manager of assets operation department of Beijing Infrastructure Investment Co., Ltd. from March 2008 to December 2009; served as secretary to the general manager of Beijing Infrastructure Investment Co., Ltd. from December 2009 to March 2011; served as assistant to the manager of the assets management department of Beijing Infrastructure Investment Co., Ltd. from March 2011 to October 2011; served as the deputy manager of the finance planning department of Beijing Infrastructure Investment Co., Ltd. from October 2011 to August 2013; served as deputy manager of the finance planning department (person-in-charge) of Beijing Infrastructure Investment Co., Ltd. from August 2013 to August 2014; general manager of finance planning department of Beijing Infrastructure Investment Co., Ltd. from August 2014 to December 2016. He has served as the general manager of the investment development headquarters of Beijing Infrastructure Investment Co., Ltd. since January 2017. He has served as a non-executive director of BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司) (a company listed on the Hong Kong Stock Exchange, Stock Code: 1522) since February 2017. Mr. Ren obtained a bachelor's degree majoring in thermal energy and power engineering from the department of thermal energy and power engineering of Wuhan University (武漢大學) in July 1996 and obtained a doctorate degree majoring in corporate management from School of Economics and Management of Beijing Institute of Technology (北京理工大學經管學院) in March 2008. Mr. Ren was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2011.

Mr. Su Bin (蘇斌), aged 52, is a non-executive Director of the Company, and the deputy general manager of Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) ("MTR Corporation"). Mr. Su has been serving at the Ministry of Railways and in charge of the technical and management work for several years since July 1988. He acted as the chairman and secretary of the Party Committee of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the "No. 3 China Railway") from October 2001 to February 2003, the deputy supervisor and chief engineer of Beijing headquarter of the No.3 China Railway from February 2003 to July 2003, and the supervisor of Jijie-Mongolia highway construction headquarter of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at MTR Corporation from December 2003 to May 2008 and successively served as the deputy secretary and general manager of Beijing Metro Line 5 project management office, and the secretary of Beijing Metro Line 10 project management office. Mr. Su has been the deputy general manager of MTR Corporation since May 2008. Mr. Su obtained his bachelor's degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master's degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a professor-grade senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2006.

Mr. Yu Xiaojun (郁曉軍), aged 55, is a non-executive Director of the Company and a director of the planning and design department of Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司). Mr. Yu Xiaojun worked for Highway No. 1 Bureau of Ministry of Transport (交通部公路一局) from August 1983 to January 1995 and successively served as a worker of engineer division of No. 1 Department, worker of the Burundi project management division, deputy manager and chief engineer of the Shanghai-Nanjing highway project division. He worked for Highway No. 1 Bureau of Road and Bridge Corporation (路橋集團公路一局) from January 1995 to February 2001 and successively served as the chief engineer of No.5 Company and deputy chief of the business development division. He has worked for Beijing Gonglian Highway Connect Line Co., Ltd. which is principally engaged in the construction and management of urban road and facilities, since February 2001, and served as the executive deputy director of the planning and design department. Mr. Yu Xiaojun obtained a bachelor's degree in engineering from Nanjing Institute of Technology (南京工學院) majoring in highway engineering in August 1983 and obtained a master's degree in management from Renmin University of China (中國人民大學) majoring in business administration in August 2001. Mr. Yu was qualified as a professor-grade senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in November 2012.

Mr. Ren Chong (任崇), aged 44, is a non-executive Director of the Company, and the executive deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. (北京忠誠恒興投資管理有限公司) and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren started to work in 1996, and he has more than ten years of industrial investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture capital investment, from March 2008 to June 2009, the project manager of Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), which is primarily engaged in investment management, from July 2009 to February 2012, the executive deputy general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. (北京忠誠恒興投資管理有限公司), which is primarily engaged in investment management business, and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)), which is primarily engaged in non-securities investment, investment management and consultancy since March 2012. Mr. Ren served as a Supervisor of the Company from October 2013 to August 2018 and has served as a Director of the Company since 15 August 2018. Mr. Ren obtained a bachelor's degree of engineering majoring in metal material and processing from Central South University of Technology (中南工業大學) in June 1996 and a master's degree of management majoring in enterprise management from Nankai University (南開大學) in June 2004.

Independent Non-Executive Directors

Mr. Wang Dexing (王德興), aged 72, is an independent non-executive Director of the Company. He worked in the flood detention office, Taiqian County, Henan Province (河南省台前縣滯洪辦公室) from 1962 to 1965. From 1965 to 1971, Mr. Wang took up the role as the secretary and vice platoon leader of the 17th company of 57th regiment of Railway Brigade and participated in the first phase construction work (parts of construction work of Line 1 and Line 2) for Beijing Subway, the first underground railway in China. In 1971, he switched to work in Beijing Metro Corporation (北京地鐵總公司) and till 2001 served as the party secretary for the metro power supply session and the vehicle session of Taiping Lake (太平湖) and the head of organization department of the Party Committee, general committee member, deputy party secretary and secretary of the disciplinary committee as well as party secretary of Beijing Metro Corporation. From 2001 to 2003, Beijing Metro Corporation was converted into Beijing Metro Group (北京地鐵集團). Mr. Wang served as the chairman and party secretary of the group and the chairman and party secretary of Beijing Mass Transit Railway Operation Corporation (北京地鐵運營公司). Between 2003 and 2008, he acted as the chairman and party secretary of Beijing Mass Transit Railway Operation Corporation. Between 2006 and 2011, Mr. Wang took up the role as the director for both Beijing Infrastructure Investment Co., Ltd. and Beijing Environment Sanitation Engineering Group (北京環衛集團). Between 1995 and 2010, he served as the chairman of Research Association of the Party Construction of Beijing Subway Light Rail (北京地鐵輕軌黨建研究會). Mr. Wang was elected as the 8th, 9th and 10th Party representative of Beijing Municipality, the representative for the 12th NPC (National People's Congress) of Beijing Municipality and the deputy head for the NPC Urban Construction and Environmental Protection Committee (城建環保委員會) for that session. Mr. Wang graduated from Beijing Municipality Xicheng Vocational College (北京市西城職大) in 1984; graduated from Beijing College of Accounting and Finance (北京財貿學院) in 1987 through on-the-job learning; graduated from the class for further studies for prefectural and departmental cadres of the Central Party School in 1993. In 1995, Mr. Wang graduated from Central Party School majoring in Economics and Management.

Dr. Yim Fung (閻峰), Justice of the Peace, aged 55, is an independent non-executive Director of the Company. He has over 27 years' experience in the financial industry. Dr. Yim joined Junan Securities Co., Ltd. (君安證券有限公司) in 1993 and joined Guotai Junan Hong Kong Group (國泰君安香港集團), which is primarily engaged in financial services, in 2000. He currently acts as the chairman of the board, executive director and chief executive officer of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 1788) and is fully in charge of the general operation and management of Guotai Junan International Holdings Limited and its subsidiaries. Dr. Yim has been an independent non-executive director of Shenzhen International Holdings Limited (深圳國際控股有限公司) (a company listed on Hong Kong Stock Exchange, Stock Code: 0152). Dr. Yim is a senior economist, and holds doctorate of economics of Graduate School of the Chinese Academy of Social Sciences (中國社會科學院) and a bachelor's degree in environmental engineering of Tsinghua University (清華大學). Dr. Yim is currently a committee member of the 13th Chinese People's Political Consultative Conference and is a member of the Election Committee of the Hong Kong Special Administrative Region. He also serves as vice chairman of the International Cooperation Professional Committee of China Securities Industry Association (中國證券業協會), vice president of the Hong Kong Chinese Enterprises Association (香港中國企業協會), president of the Hong Kong China Chamber of Commerce (香港中國商會), life honorary chairman of the Chinese Securities Association of Hong Kong (香港中資證券業協會), vice president of Chinese Financial Association of Hong Kong (香港中國金融協會), vice president of the Listed Companies Committee of the Hong Kong Chinese Enterprises Association and permanent president of Hong Kong Tsinghua Alumni Association (香港清華同學會).

Mr. Sun Maozhu (孫茂竹), aged 59, is an independent non-executive Director of the Company. He obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr. Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by China Securities Regulatory Commission and School of Economics & Management of Tsinghua University (清華大學經濟管理學院) in June 2002 and currently serves as a director for Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司). He obtained his bachelor's degree of economics majoring in financial accounting from Renmin University of China in July 1984. In July 1987, he obtained his master's degree of economics majoring in accounting from Renmin University of China. Mr. Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 51, is an independent non-executive Director of the Company. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the research centre on transport and environment of the School of Civil Engineering of Beijing Jiaotong University. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor degree of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master's degree of science in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctor degree of engineering in civil structural engineering from Dalian University of Technology. In December 1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Northern Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the working committee of Urban Rail Transit Technology of China Civil Engineering Society. In December 2002, Mr. Liang obtained the qualification of Senior Teachers of Higher Education from Beijing Municipal Commission of Education (北京市教育委員會).

Mr. Qin Guisheng (覃桂生), aged 60, an independent non-executive Director of the Company, currently serves as the partner lawyer of Zhongkai & Partners Attorneys at Law (北京市中凱律師事務所). He worked in the General Office of the Ministry of Justice for a long period of time after July 1986, serving as a secretary at the deputy director level and at the director level, engaged in research and secretarial work. After entering Zhongkai & Partners Attorneys at Law in February 1996, he has successively served as a lawyer, partner lawyer and principal lawyer. He served as the principal lawyer of Zhongkai & Partners Attorneys at Law from 2010 to February 2019. He served as an independent director of Beijing Wangfujing Department Store (Group) Co., Ltd. (北京王府井百貨(集團)股份有限公司) from May 2010 to April 2013, and has served as an independent director of Guizhou Tyre Co., Ltd. (貴州輪胎股份有限公司) since 2015. Mr. Qin graduated from Northwest University of Political Science and Law in Shaanxi Province (陝西省西北政法學院) in 1983 with a bachelor's degree in law. He graduated from Graduate School of China University of Political Science and Law (北京中國政法大學研究生院) in 1986 with a master's degree in law. He is currently a part-time director of the Real Estate Branch of the Beijing Law Society (北京市法學會房地產分會), and the vice president of Beijing Quality and Technology Supervision Law Application Association (北京市質量技術監督法應用協會).

SUPERVISORS

Mr. Yuan Guoyue (袁國躍), aged 60, is a Supervisor and chairman of the Board of Supervisors of the Company and currently the head of sales and marketing department of BUCG. Mr. Yuan served as the chief engineer of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from January 1990 to December 1993; the project manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from December 1993 to December 2003; the deputy manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from December 2003 to August 2006 and concurrently the project manager of each of the project of Terminal T3 and National Stadium; the deputy manager of Beijing Urban Construction No. 5 Construction Engineering Co., Ltd. from August 2006 to August 2007; the deputy manager of construction contracting department of BUCG from August 2007 to December 2010; a director of Beijing Urban Construction No. 5 Asset Management Co., Ltd. from January 2010 to April 2016 and the head of sales and marketing department of BUCG from December 2010 to present. In January 1983, Mr. Yuan graduated from Chongqing Architecture College (重慶建築高等專科學校) with a college degree in industrial and civil construction. In August 2001, he graduated from the master programme in corporate management of College of Economics and Business Administration of Beijing Normal University (北京師範大學經濟管理學院). In 2004, Mr. Yuan was qualified as a senior engineer evaluated by the Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會), a constructor by of the Ministry of Construction of the People's Republic of China (now the Ministry of Housing and Urban-Rural Development of the People's Republic of China) (中華人民共和國建設部，現稱中華人民共和國住房和城鄉建設部) in June 2008 and a chartered architect of the Royal Institute of British Architects (英國皇家建造師協會) in December 2008.

Ms. Nie Kun (聶菎), aged 47, is a Supervisor of the Company, and the first chairman of the supervisory committee of BUCG. She was engaged in accounting work in the Fifth Branch of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from July 1992 to March 1996. She was the chief officer of the Fifth Branch of the Second Beijing Urban Construction Engineering Company Limited from March 1996 to March 1997. She was a staff of the audit department of the Second Beijing Urban Construction Engineering Company Limited from March 1997 to October 1999; a staff of the finance department of BUCG Xinye Company from October 1999 to April 2000. Since April 2000, she has served as a staff of the first unit of the audit department, a deputy head of the audit and investigation department, the head of the finance department and the first chairman of the supervisory committee of BUCG. Since 28 October 2013, Ms. Nie has served as the Supervisor of the Company. She obtained a bachelor of economics degree in investment economic management from the Central Institute of Finance (中央財政金融學院) in June 1992. She obtained a professional accountant certification from the Beijing Municipal Bureau of Finance (北京市財政局) in September 1995, and was recognised as a qualified internal auditor by China Association of Internal Audit (中國內部審計協會) in December 2003. She was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in January 2005. She became a non-practicing member of Chinese Institute of Certified Public Accountants in September 2010.

Ms. Zhao Hong (趙鴻), aged 29, is a Supervisor of the Company, and currently the senior manager of the second fund investment department of Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心). Ms. Zhao has successively served as the business assistant, business executive and senior manager of the fund investment department, and senior manager of the second fund Investment department of Beijing State-owned Capital Operation and Management Center from July 2013 to present. Ms. Zhao graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor degree in management in June 2011 and graduated from Central University of Finance and Economics with a master's degree in management in June 2013.

Mr. Chen Rui (陳瑞), aged 45, is a Supervisor of the Company, and the managing director of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司). Mr. Chen served as an engineer for Shenzhen Lingke Electronic Communication Appliances Co., Ltd. (深圳市靈科電訊器材有限公司), which is primarily engaged in development and production of electronic communication appliances, from February 1998 to May 1999. From June 1999 to November 2002, he worked as the engineer, the manager and the vice general manager of the engineering technical department of Shenzhen Linker Industrial Co., Ltd. (深圳菱科實業有限公司), which is primarily engaged in research, development and production of numbering machines. He has successively served as an investment manager, vice president of investment, chief supervisor, executive director, head and managing director of the Shenzhen office of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司), which is primarily engaged in venture capital business, from February 2005 up to present. Since 28 October 2013, Mr. Chen has served as a Supervisor of the Company. Mr. Chen obtained a bachelor of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Ms. Yang Huiju (楊卉菊), aged 49, is an employee representative Supervisor of the Company and the deputy chief engineer of the equipment division of the Xi'an branch of the Company. Ms. Yang has worked as the designer of the Company and then as the deputy chief engineer of the Xi'an branch of the Company since July 1993. Ms. Yang obtained a bachelor of environmental engineering from Beijing Institute of Light Industry (北京輕工業學院) in July 1993. She was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in October 2004.

Mr. Liu Hao (劉皓), aged 38, is an employee representative Supervisor of the Company and the deputy chief engineer of the Xiamen branch of the Company. Mr. Liu has worked successively as the designer, the director of driving station office and then as the deputy chief engineer of the Xiamen branch of the Company since July 2002. In July 2002, Mr. Liu graduated from Xi'an University of Architecture and Technology with a Bachelor's degree in general plan design and transportation engineering. In July 2009, he obtained a Master's degree in engineering through further education in the traffic engineering graduate class of Beijing Jiaotong University (北京交通大學). He was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in 2013.

Mr. Ban Jianbo (班健波), aged 31, is an employee representative Supervisor of the Company and the specialist in legal affairs and internal audit of the legal audit department of the Company. Mr. Ban has worked successively as the legal specialist of the enterprise management division bachelor's degree and then as the specialist in legal affairs and internal audit of the legal audit department of the Company. Mr. Ban obtained a bachelor's degree in laws from Southwest University of Political Science and Law (西南政法大學) in July 2009, then obtained a master's degree in economic law from Southwest University of Political Science and Law in June 2012. He was granted with legal professional qualification by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in March 2011 and was qualified as an intermediate economist in business administration in November 2013.

Mr. Zuo Chuanchang (左傳長), aged 53, is an independent Supervisor of the Company. Mr. Zuo worked on project management and science and research work in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted science and research work in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. He was granted a post-doctorate degree jointly offered by Institute of Economics of Chinese Academy of Social Science (中國社會科學研究院經濟研究所) and Guangdong Fenghua Advanced Technology (廣東風華高科) from October 1999 to December 2001. He took up the role as a deputy researcher for Academy of Economic Research of the National Development Planning Commission (國家發展計劃委員會) (now known as the NDRC) from December 2001 to March 2005. He was a deputy head and the head of the Macroeconomic Research Institute, and a researcher of the Economic Research Institute of the NDRC (國家發展和改革委員會宏觀經濟研究院) since March 2005. From September 2014 to June 2016, he was the vice president of Institute of Scientific Research of Tsinghua University (清華大學科研院). He is now concurrently the distinguished research fellow of Institute of Industrial Innovation and Finance in Tsinghua University (清華大學產業創新與金融研究院). Mr. Zuo was awarded a bachelor's degree in engineering from Tsinghua University in July 1988, specializing in water conservancy and hydropower engineering construction. He was awarded a doctorate degree in economics by the Postgraduate School of Chinese Academy of Social Sciences in June 1998, specializing in investment economics.

OTHER SENIOR MANAGEMENT

Ms. Cheng Yan (成硯), aged 44, is a deputy general manager of the Company. Ms. Cheng was the project manager of the Planning and Design Division of Engineering Department of the Organizing Committee for the Beijing Olympic Games (BOCOG) from July 2002 to March 2005. She served as the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005. She took up the role as a deputy head and subsequently the head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy director of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008). She was an assistant to the general manager of BUCG from February 2008 to 14 April 2014. Ms. Cheng served as a vice president of the Company from January 2009 to December 2013. Ms. Cheng has acted as a deputy general manager of the Company since 16 December 2013. Ms. Cheng obtained a bachelor's degree majoring in architecture at Tsinghua University in July 1997. She was a doctoral candidate jointly educated by School of Architecture of Tsinghua University and School of Design of Harvard University from September 2000 to May 2001, and obtained a doctor's degree of engineering majoring in architectural design and theory from Tsinghua University in July 2002. Ms. Cheng was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in August 2010.

Mr. Jin Huai (金淮), aged 54, is a deputy general manager of the Company, and concurrently the president of Beijing Rail Transit Design & Research Institute Co., Ltd.. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992. He served as the manager of the technical office, the assistant to the president and the chief engineer of Beijing Urban Construction Exploration & Surveying Institute from May 1992 to November 2000. Mr. Jin acted as the chief engineer of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計院有限責任公司) from December 2000 to May 2003. He was the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006. He served as the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from March 2005 to 21 October 2014. He took the role as the secretary of the Party Committee of Beijing Urban Construction Exploration & Surveying Design Research Institute from 14 March 2008 to 21 October 2014. He was the deputy president of the Company from May 2003 to December 2013. He has been serving as the president of Beijing Rail Transit Design & Research Institute Co., Ltd. since 23 July 2014. Since 16 December 2013, Mr. Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering majoring in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985. Mr. Jin obtained a master's degree of science majoring in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Wang Liang (王良), aged 53, is a deputy general manager of the Company and the general manager of the Construction Contracting Department of the Company. Mr. Wang acted as an assistant engineer, an engineer, the vice president, the president the deputy director and the director of the Ministry of Railways Design Institute from July 1986 to March 2000. He also acted as the manager of the Shield Project Management Department of Shield Basis Branch and the assistant branch manager of BUCG from March 2000 to March 2004; the deputy chief engineer and the assistant manager of the construction contracting department of BUCG from March 2004 to June 2006; the deputy manager of construction contracting of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction contracting department of BUCG in October 2012. In December 2012, the rail transit construction contracting department of BUCG was restructured and consolidated into the Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr. Wang has been serving as a deputy general manager of the Company and he has been the general manager of the Construction Contracting Department of the Company since 15 September 2015. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the grade-one constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Wan Xuehong (萬學紅), aged 58, is a deputy general manager of the Company. Mr. Wan acted as an assistant engineer, an engineer and the officer of the technique department for the No. 2 Engineering Company of Beijing Railway Engineering Corporation under Beijing Railway Bureau from July 1982 to June 1992; the general superintendent of the scientific research projects of the Beijing Academy of Science and Technology of Beijing Railway Bureau from June 1992 to November 1993; and he has held the positions of the project manager, the department head, the deputy chief engineer, the deputy president and the assistant to president of Beijing Urban Construction Design & Research Institute and the general manager and the vice president of the Huazhong Branch Institute since November 1993 (from July 2012 to 23 July 2014, he was the president for Beijing Rail Transit Design and Research Institute as well as the vice president of the Company). Since 16 December 2013, Mr. Wan has been serving as a deputy general manager of the Company. Mr. Wan obtained a bachelor's degree of engineering majoring in railway construction from Changsha Railway University in July 1982. In June 2006, he was qualified as a senior engineer of professor-level by Beijing Senior Specialised Technique Qualification Evaluation Committee (京市高級專業技術資格評審委員會).

Mr. Yu Songwei (于松偉), aged 53, is a deputy manager of the Company. Mr. Yu worked as a designer in the Subway Design & Research Laboratory (地鐵設計研究所) of Beijing Urban Construction Engineering Design Institute (北京市城市建設工程設計院) from July 1987 to May 1996; a chief electrical engineer in the Equipment Design Division (設備設計科) of Beijing Urban Construction Engineering Design Institute from May 1996 to September 1998; the deputy chief engineer of Beijing Urban Construction Engineering Design & Research Institute (北京市城建工程設計研究院) and the president of its Equipment Design Division from September 1998 to February 2002; the deputy chief engineer of Beijing Urban Construction Design & Research Institute and the president of its Electrical Design Division from February 2002 to February 2003; the deputy chief engineer of Beijing Urban Construction Design & Research Institute Co., Ltd. from March 2003 to February 2006; the deputy president of the Rail Transit Design & Research Institute (軌道交通設計研究院) of Beijing Urban Construction Engineering Design & Research Institute Co., Ltd. from February 2006 to August 2012. He has been the president of the Rail Transit Design & Research Institute of Beijing Urban Construction Design & Development Group Co., Limited since August 2012 and has been acting as the deputy general manager of the Company since June 2016. Mr. Yu obtained a bachelor's degree in railway electrification and a master's degree in electrical engineering from Southwest Jiaotong University in July 1987 and June 2007, respectively. In September 2002, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術職務評審委員會).

Mr. Ma Haizhi (馬海志), aged 51, served as the deputy general manager of the Company, the chairman of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) and the secretary of the Party Committee. He served as the project supervisor, squad leader, deputy captain and deputy director of the survey team of Beijing Urban Construction Surveying and Mapping Institute from July 1989 to March 2001; served as the director of the surveying engineering department, assistant to the dean, executive associate dean, dean, deputy secretary of the party committee, secretary of the party committee and chairman of the Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) from April 2001 to May 2016. He has served as the chairman and secretary of the party committee of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司) since May 2016. Ma Haizhi graduated from the Beijing University of Civil Engineering and Architecture in July 1989 with a bachelor's degree in engineering survey and obtained an executive master of business administration (EMBA) from the Tsinghua University School of Economics and Management in July 2008. Ma Haizhi was recognized as a professor-level senior engineer by the Beijing Senior Specialized Technique Titles Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2007.

Mr. Yin Zhiguo (尹志國), aged 43, served as the deputy general manager of the Company and the general manager of Beijing Urban Infrastructure Construction Investment Management Co., Ltd. (北京城建基礎設施投資管理有限公司). He successively served as operating director and project chief economist of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from August 1999 to December 2002, served as executive deputy director of marketing department and director of bidding and quotation department of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from January 2003 to February 2004, served as director of operation management department, deputy chief economist of the company and director of group investment risk management committee of Beijing Urban Construction Road & Bridge Engineering Co., Ltd. (北京城建道橋建設集團) from March 2004 to August 2013. And he has served as assistant to general manager and director of investment and financing department of Beijing Urban Construction Design & Development Group Co., Limited, and general manager of Beijing Urban Infrastructure Construction Investment Fund Management Co., Ltd. (北京城建基礎設施投資基金管理有限公司) since September 2013. Yin Zhiguo graduated from the Department of Civil Engineering of Northeast Forestry University with a bachelor's degree in Architectural Engineering in July 1999. He graduated as in-service graduate student in Transportation Engineering from the Department of Civil Engineering of Northeast Forestry University in January 2008. Yin Zhiguo obtained the qualification of national first-level construction engineer from Ministry of Construction in January 2008. He was recognized as a senior engineer by the Beijing Senior Specialized Technique Titles Evaluation Committee (北京市高級專業技術資格評審委員會) in July 2011 and was selected as the first batch of PPP double-bank experts of the National Development and Reform Commission and the Ministry of Finance in 2015.

Mr. Yang Xiuren (楊秀仁), aged 54, is the Chief Engineer of the Company and a National Engineering Survey and Design Master. Mr. Yang was an assistant engineer of the Bridge and Tunnel Department of No. 3 Survey Institute (第三勘察設計院) under the Ministry of Railway from July 1986 to December 1991; an engineer and the chief engineer of the Fourth Design Studio of Beijing Urban Construction Design and Research Institute from January 1992 to January 1996; the head of the Technical Department, the deputy chief engineer and the deputy president and chief engineer from January 1996 to May 2003; and has been the Chief Engineer of the Company since May 2003. Mr. Yang obtained a bachelor's degree of engineering majoring in tunnel and underground railway from Southwest Jiaotong University. In December 2003, he was qualified as a senior engineer of professor level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會), and was honoured as the National Master of Engineering Survey Design (全國工程勘察設計大師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 30 December 2016.

Mr. Xiao Mujun (肖木軍), aged 51, is the Chief Accountant of the Company. Mr. Xiao worked in No. 5 Urban Construction Company (城建五公司), in which he served successively as the project cashier, accountant, financial controller, project operating deputy manager of project operation and the deputy manager of the financial department from July 1993 to August 2001. He worked in Beijing Urban Construction Investment Development Co., Limited from August 2001 to August 2006, during which he acted as the person-in-charge of finance of the preparatory group for Beijing Urban Construction's Chongqing International Convention & Exhibition Center project from August 2001 to June 2002; a staff member of the audit department of Beijing Urban Construction Investment Development Co., Limited from June 2002 to June 2004; the financial director of Beijing CCID Info Tech Inc. from June 2004 to August 2006. He acted as the manager of the financial department, the deputy chief accountant and the manager of financial department and the deputy general manager of Beijing Urban Real Estate Exploitation Co., Ltd. from August 2006 to May 2009, from May 2009 to October 2012 and from October 2012 to May 2016, respectively. Mr. Xiao has been the chief accountant of the Company since June 2016. Mr. Xiao graduated from China Agricultural University majoring in land planning and utilization in July 1993. In December 2003, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (京市高級專業技術資格評審委員會).

Mr. Liu Li (劉立), aged 52, is the chief economist of the Company. He was a designer of the structure department of the Beijing Urban Construction Design Institute (北京城建設計院) from July 1990 to October 1996; the deputy general manager of Beijing Chengrong Waterproof Material Co., Ltd. (北京城融防水材料有限公司) from October 1996 to October 1998; the head of operating department and the assistant to president of Beijing Urban Construction and Design Institute (北京城建建築設計院) from October 1998 to December 2002; the head of operating department and the assistant to president of Beijing Urban Construction Design & Research Institute from December 2002 to September 2007; the vice president of the municipal department Beijing Urban Construction Design & Research Institute Co., Ltd. from September 2007 to September 2009. He has been the deputy chief economist and the chief economist of the Company since September 2009. Mr. Liu graduated from Beijing University of Technology (北京工業大學) majoring in industrial and civil architecture in July 1990. He was qualified as an engineer by Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) in February 1995 and qualified as a senior administrator of business administration in June 2010.

Mr. Xuan Wenchang (玄文昌), aged 50, is the secretary of the Board of the Company and a joint company secretary. Mr. Xuan worked with the 4th department of the No. 3 China Railway from July 1990 to December 1992; acted as the project financial manager for the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from December 1992 to September 2000; acted as a manager under the Finance Department of Beiyuan Hotel of BUCG from September 2000 to September 2006; worked at Beijing Urban Construction Investment Management Company from September 2006 to April 2008 (acted as the chief financial officer for Beijing Haiya Jinyuan Environmental Co., Ltd. from September 2006 to February 2008); has acted as the deputy chief accountant of the Company since June 2008; acted as the head of the Listing Preparation Office of the Company from August 2011 to October 2014; and acted as the secretary of the Board and company secretary of the Company since 16 December 2013. Mr. Xuan graduated in Finance and Accounting from Shanghai Railway Institute in July 1990, and obtained an executive master of business administration from Renmin University of China. In February 2007, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) and became a certified management accountant of the Institute of Certified Management Accountants in the U.S. in June 2013.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents this report together with the audited financial statements of the Group for the year ended 31 December 2018.

BUSINESS REVIEW

PRINCIPAL BUSINESS

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

OPERATING RESULTS AND FINANCIAL POSITION

During the Reporting Period, 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 Luoyi 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, 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, and adhering to the corporate vision of "becoming an integrated service provider of urban construction directed by design". The Company will also keep on expanding design and consultancy, and strengthen construction general contracting, so as to achieve a leapfrog development.

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

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

Major Risks and Uncertainties

Risks on Macro Policy

The fluctuations in state macro-economic policy, industry policy and industry planning will have a 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 budget and revenue, 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.

Corporate Environmental Policy and Performance

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

The Company complied with the PRC and overseas environmental laws and regulations relating to air pollution, noise emission, hazardous substances, waste water and waste discharge and other environmental matters. It placed emphasis on environmental protection, and complied with requirements of GB/T24001–2016 ISO 14001:2015 environment management system. There was no breach of environmental laws and provisions during the Year, and the Company was not subject to any administrative penalties. The Company will continue to fulfill its social responsibilities, prepare environmental, social and governance reports in compliance with relevant requirements, and make relevant reports and disclosures as required.

Combining the actual situation and features of projects undertaken by it, the Company adopted strict management and control over construction safety, seasonal construction, emergency and flood prevention, labour management and environmental-friendly construction. Therefore, the Company's production safety was stable and steady throughout the Year. The construction of production safety standardization on the construction site was fully promoted, and the compliance rate of green construction reached 100%. During the Year, the Company built one Production Safety Standardization Construction Site (previously known as the "AAA Construction Site") recommended to national construction projects, three provincial (municipal) production safety standardization construction sites and one outstanding production unit for national safety management standardization.

Compliance with Relevant Laws and Regulations of Major Concerns

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

The Company insists on performing corporate and social responsibilities, attaches importance to occupational health and production safety, strictly implements the established GB/T28001–2011 (OHSAS 8001:2007) occupational health and safety management system, complies with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》 and other relevant regulations, and further improves the Company's production safety management system by revising the Safety Production Inspection System, the Reward and Punishment Measures for Production Safety and Green Construction and other production safety management systems. We carry out regular training and assessment to perform the responsibility of production safety management of all employees, and vigorously promote the construction of the "dual control system" for inspection of construction risks and potential hazards to enhance the capability for prevention and control of production safety accident. During the reporting period, the Company had no production safety accidents.

Material Relationships between Employees, Clients and Suppliers

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

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

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 125 to page 126 of this report.

On 29 March 2019, the Board of Directors resolved to propose the distribution of a final dividend of RMB0.1102 per share (before applicable tax) for the Year, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal for the payment of the final dividend is subject to the approval of shareholders of the Company at the 2018 annual general meeting to be held on 29 May 2019. If approved, it is expected that dividend will be paid to the shareholders whose name appear on the register of shareholders of the Company dated 12 June 2019 on 31 July 2019.

The register of members of the Company will be closed from Monday, 29 April 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company as at Wednesday, 29 May 2019 shall be entitled to attend and vote at this annual general meeting. Holders of H Shares who wish to attend and vote at this annual general meeting shall lodge all transfer documents accompanied by the relevant H Share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 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.

To determine the list of the shareholders entitled to receive the final dividend, the Company's register of members will be closed from Friday, 7 June 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of H Shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Wednesday, 12 June 2019 are entitled to receive the final dividend. In order for holders of H Shares of the Company to qualify for the payment of the final dividend, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 6 June 2019 for registration.

In accordance with Article 163 of the Articles of Association, the dividend will be declared in RMB to the shareholders of the Company. The dividend payable to holders of Domestic Shares will be paid in RMB within three months after the dividend declaration date. The dividend payable to holders of H Shares will be paid in Hong Kong dollars within three months after the dividend declaration date. The amount to be paid in Hong Kong dollars will be converted based on the average closing exchange rate between RMB and Hong Kong dollars issued by the People's Bank of China for the five business days prior to the date of approving the declaration of dividends at the 2018 annual general meeting to be held on 29 May 2019.

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

PROFIT DISTRIBUTION POLICY

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

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

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

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

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

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

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

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the Directors, Supervisors and senior management of the Company are set out from pages 35 to 53 of this report.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

Ms. Guo Yanhong has rendered her resignation as a non-executive Director to the Company due to work arrangement, effective from 26 March 2018. For details, please refer to the announcement of the Company published on 26 March 2018.

At the 2018 first extraordinary general meeting held on 15 August 2018, Mr. Wang Hanjun and Mr. Li Guoqing were appointed as executive Directors. Mr. Shi Yubin, Mr. Tang Shuchang, Ms. Wu Donghui, Mr. Guan Jifa, Mr. Ren Yuhang, Mr. Su Bin, Mr. Yu Xiaojun and Mr. Ren Chong were appointed as non-executive Directors. Mr. Wang Dexing, Dr. Yim Fung, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng were appointed as independent non-executive Directors. They were appointed as Directors of the second session of the Board, with term of office of three years starting from 15 August 2018. Due to the arrangement for transition of the Board, Ms. Wang Liping, Mr. Yan Lianyuan and Mr. Zhang Fengchao retired as Directors on the same date. For details, please refer to the announcement of the Company published on 15 August 2018.

Change of Supervisors

At the 2018 first extraordinary general meeting held on 15 August 2018, Mr. Yuan Guoyue, Ms. Nie Kun, Ms. Zhao Hong, Mr. Chen Rui and Mr. Zuo Chuanchang were appointed as Supervisors of the second session of the Board of Supervisors to form the second session of the Board of Supervisors with the employee representative Supervisors, namely Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, with term of office of three years starting from 15 August 2018. Due to the arrangement for transition of the Board of Supervisors, Mr. Ren Chong retired as a Supervisor on the same date. For details, please refer to the announcement of the Company published on 15 August 2018.

Appointment of the Chairman of the Board

At the Board meeting held on 15 August 2018, the Board elected Mr. Shi Yubin as the Chairman of the second session of the Board with immediate effect.

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

Members of the special committees of the second session of the Board were elected at the meeting of the Board held on 15 August 2018. Details are as follow:

Nomination Committee

Chairman: Shi Yubin
Members: Wang Dexing, Liang Qinghuai, Qin Guisheng, Su Bin

Audit Committee

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

Remuneration Committee

Chairman: Wang Dexing
Members: Sun Maozhu, Yim Fung, Wu Donghui, Ren Chong

Overseas Risk Control Committee

Chairman: Shi Yubin
Members: Wang Hanjun, Li Guoqing

Appointment of the Chairman of the Board of Supervisors

At the Board of Supervisors meeting held on 15 August 2018, the Board of Supervisors elected Mr. Yuan Guoyue as the Chairman of the second session of the Board of Supervisors with immediate effect.

Changes of Senior Management

At the Board meeting held on 15 August 2018, the Board agreed to appoint Mr. Ma Haizhi and Mr. Yin Zhiguo as deputy general managers of the Company, effective on the same date.

Save as disclosed above, there was no change of other Directors, Supervisors and senior management of the Company for the year ended 31 December 2018.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

For the year ended 31 December 2018, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or their connected entity has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

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

As at 31 December 2018, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

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

Note:

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

Save as disclosed above, as at 31 December 2018, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2018, none of the Directors of the Company had interests in any business that competes or is likely to compete, either directly or indirectly, with the Company's business.

EQUITY-LINKED AGREEMENTS

In 2018, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreements which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2018, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if entered into by the Company).

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, details of remuneration of the Directors, Supervisors and senior management for the Year are set out in notes 8 and 37 to the financial statements.

For the year ended 31 December 2018, the remuneration of other senior management members by bands is set out as follows:

Remuneration Band	Number of Person
Less than or equal to RMB500,000	2
RMB500,001–1,000,000	5
RMB1,000,001–1,500,000	4

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

STOCK OWNERSHIP PLAN OF CORE EMPLOYEES

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

On 1 February 2018, the Company completed the registration of the issue of 76,000,000 Domestic Shares in China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) under special mandate, with the nominal value of RMB1.00 per Share and the issue price of RMB3.43 per share. Such 76,000,000 Domestic Shares correspond to the total number of unit of the Key Employee Stock Ownership Scheme, being 76,000,000 Shares, subscribed by the eligible participants. Of the total 76,000,000 Shares in the stock ownership subscription plan of core employees, 18,270,000 Shares were subscribed by connected participants. For details, please refer to the announcement of the Company dated 5 February 2018.

The Company's proceeds from the issuance price (i.e. net price from the issuance) totaled RMB260 million, which was used for the general working capital needed for the Company's businesses. As of 31 December 2018, the above proceeds have been fully used.

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

As at 31 December 2018, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the Shares and underlying shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Domestic Shares

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

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.

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

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

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

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

H Shares

Name of Shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued Share capital
Amundi Asset Management	Investment Manager	81,448,000	Long position	20.99%	6.04%
Amundi Ireland Ltd	Investment Manager	81,494,000	Long position	21.01%	6.04%
Amundi Luxembourg S.A.	Investment Manager	75,699,000	Long position	19.51%	5.61%
Beijing Infrastructure Investment Co., Ltd.[1]	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited[1]	Beneficial Owner	68,222,000	Long position	17.59%	5.06%
Pioneer Investment Management Limited	Investment Manager	66,028,000	Long position	17.02%	4.90%
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	3.91%
CRRC Group	Interest of controlled corporations[2]	26,222,000	Long position	6.76%	1.94%

Notes:

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

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

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

SHARE CAPITAL

The Company's share capital structure as at 31 December 2018 was as follows:

Class of Shares	Number of Shares as at 31 December 2018	Percentage of total number of Shares in issue as at 31 December 2018
Domestic Shares	960,733,000	71.24%
Foreign Invested Shares (H shares)	387,937,000	28.76%
Total	1,348,670,000	100%

On 1 February 2018, the Company completed the registration for the issuance of 76,000,000 Domestic Shares with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) under special mandate with the issue price of RMB3.43 per Share.

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.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of change in reserves of the Group for the Year are set out in the consolidated statement of changes in equity and note 32 to the financial statements.

DISTRIBUTABLE RETAINED EARNINGS

As at 31 December 2018, the Company had distributable retained earnings of RMB1,465,898 thousand excluding proposed 2018 final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the five largest major customers of the design, survey and consultancy business of the Group accounted for 10.1% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 2.8% of the Group's total sales. Sales to the five largest major customers for the construction contracting business of the Group accounted for 34.9% of the Group's total sales of the Year, of which, sales to the largest customer accounted for approximately 13.6% of the Group's total sales. To the knowledge of the Directors of the Company, none of the Directors, Supervisors of the Company and their respective associates or any shareholders holding more than 5% interest in the share capital of the Company has any interest in the above major customers.

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

SUBSIDIARIES AND ASSOCIATES

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

Details of the subsidiaries, joint ventures or associates of the Company (if any) established during the Reporting Period are set out in the below table:

Name	Registered Capital *(RMB0'000)*	Scope of Business	Shareholding Structure	Date of Establishment
Huangshan Jingjian Investment & Construction Co., Ltd. (黃山京建投資建設有限公司)	10,000	Design, construction, operation and maintenance services under PPP project agreements (including road, pipe, waterworks, sewage plant, park and river treatment projects), investment, construction and operation of cultural tourism, and integrated business management service.	Huangshan District State-owned Assets Operation Co., Ltd.: RMB10 million, accounting for 10%; Beijing Urban Construction Design & Development Group Co., Limited: RMB90 million, accounting for 90%.	8 August 2018

Name	Registered Capital *(RMB0'000)*	Scope of Business	Shareholding Structure	Date of Establishment
Jiangsu Jingjian Investment & Construction Co., Ltd. (江蘇京建投資建設有限公司)	5,000	Engineering project construction, project management service, advertising design, production and publication, and parking lot management.	Beijing Urban Construction Design & Development Group Co., Limited: RMB44.50 million, accounting for 89%; Nanjing Pukou Economic Development Co., Ltd.: RMB5 million, accounting for 10%; Beijing Urban Infrastructure Construction Investment Management Co., Ltd.: RMB0.5 million, accounting for 1%.	19 September 2018

Name	Registered Capital *(RMB0'000)*	Scope of Business	Shareholding Structure	Date of Establishment
Beijing Urban Construction Design & Development Group Guangzhou Construction Co., Ltd. (北京城建設計發展集團廣州建設有限公司)	1,000	Construction general contracting; specialized contracting of building curtain walls; specialized contracting of foundation and foundation engineering; specialized contracting of special engineering; construction labor subcontracting; engineering technology consultation service; electromechanical equipment installation service; engineering project management service; engineering survey and design; lifting equipment installation service; specialized equipment (excluding elevators and boilers) installation; wholesale of steel products; sales of steel structures; wholesale of FRP products; retail of steel products; sales of general mechanical equipment; sales of electrical machinery and equipment; retail of general mechanical equipment; retail of machinery parts; construction machinery and equipment leasing; retail of wooden decoration materials; retail of metallic decoration materials; machinery and equipment leasing; storage agency service; storage consultation service; technical service (excluding projects subject to permission and approval); construction engineering and civil engineering technology development service; construction engineering and civil engineering technology transfer service; mechanical technology promotion service; construction of houses and buildings; Internet information promotion service; software technology promotion service; import and export of goods (excluding franchised and exclusively controlled merchandise); technology import and export; tendering and bidding agency service; bidding agency service for construction projects; agency service for science and technology projects; and road freight transportation.	Beijing Urban Construction Design & Development Group Co., Limited: RMB10 million, accounting for 100%.	22 November 2018

CONNECTED TRANSACTIONS

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

Non-exempt One-off Connected Transaction

(I) Technical Consultation and Construction Engineering Design

On 11 May 2018, the Company entered into five technical consultation agreements and a construction engineering design agreement with Beijing Investment Company and/or its subsidiaries. For details, please refer to the connected transactions announcement of the Company dated 11 May 2018.

The First Agreement:

On 11 May 2018, the Company and Beijing Investment Company entered into a technical consultation agreement in relation to the major report of the construction planning for the third phase of Beijing rail transit (2018–2025) (the "**Technical Consultation Agreement for Major Report**").

According to the Technical Consultation Agreement for Major Report, Beijing Investment Company, as the leading unit of the construction planning work for the third phase of Beijing rail transit (2018–2025) (the "**Third Phase Planning**"), entrusted the Company to be the preparation unit of the Major Report of the Construction Planning for the Third Phase of Beijing Rail Transit (2018–2025) (the "**Major Report**"). The Company was responsible for the overall coordination and management of the preparation of the Major Report and the construction planning of each supporting project. The amount of the agreement was RMB4,803,700 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Second Agreement:

On 11 May 2018, the Company and Beijing Investment Company entered into a technical consultation agreement in relation to 04 contract segment of the Third Phase Planning (general report for network resource allocation) (the "**Resource Allocation Consultation Agreement**").

According to the Resource Allocation Consultation Agreement, Beijing Investment Company, as the leading unit of the Third Phase Planning, entrusted the Company as the preparation unit of the 04 Contract Segment (general report for network resource allocation) of Third Phase Planning (the "**Resource Allocation Report**"). The Company was responsible for the preparation of the Resource Allocation Report, coordination and management of each sub-project and preparation of sub-project I. The amount of the agreement was RMB1,152,000 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Third Agreement:

On 11 May 2018, the Company, Beijing Investment Company and Beijing Metro Network Administration Co., Ltd. (the "**Metro Network Company**") entered into a technical consultation agreement on the sub-project II (networking operation management of metro network and allocation planning of command centre) of the 04 contract segment of Third Phase Planning (the "**Operation Management Consultation Agreement**").

According to the Operation Management Consultation Agreement, Beijing Investment Company, as the leading unit of the Third Phase Planning, entrusted the Company and Metro Network Company to engage in the preparation work of the Sub-Project II (networking operation management of metro network and allocation planning of command centre) (the "**Project II**") of the 04 Contract Segment of Third Phase Planning. The amount of the agreement was RMB998,000 in total, of which RMB798,000 shall be paid to the Company by Beijing Investment Company and RMB200,000 shall be paid to Metro Network Company by Beijing Investment Company, and all of which shall be paid by Beijing Investment Company to the Company and Metro Network Company in instalments.

The Fourth Agreement:

On 11 May 2018, the Company and Beijing Investment Company entered into a technical consultation agreement on mid-to-long term planning and research implementation for improvement of operational safety and service level of existing lines (the "**Research Implementation Agreement**").

According to the Research Implementation Agreement, the Company was entrusted by Beijing Investment Company to conduct mid-to-long term planning and implement research for improvement of operational safety and service level of existing lines. The amount of the agreement was RMB850,000 in total, which shall be paid by Beijing Investment Company to the Company in instalments.

The Fifth Agreement:

On 11 May 2018, the Company and Beijing Investment Company entered into a technical consultation agreement on project design, planning and research of comprehensive utilization of traffic and landscape of Cigezhuang metro depot of Beijing new airport line (the "**New Airport Line Consultation Agreement**").

According to the New Airport Line Consultation Agreement, the Company was entrusted by Beijing Investment Company to provide technical services for the project design, planning and research of comprehensive utilization of traffic and landscape of Cigezhuang metro depot of Beijing new airport line. The amount of the agreement was RMB2,180,000 in total, which shall be paid by Beijing Investment Company to the Company in instalments.

The Sixth Agreement:

On 11 May 2018, the Company, as a designer, entered into a construction engineering design agreement (the "**Design Agreement**") with Beijing Metro Line 5 Investment Co., Ltd., Beijing Urban Railway Co., Ltd., Beijing Rail Transit Changping Line Investment Co., Ltd., all being property right owners, (the "**Property Right Owners**") and BII Rail Transit Asset Management Co., Ltd., as the principal (the "**Principal**").

According to the Design Agreement, the Company was entrusted by the Principal to undertake the engineering design for the comprehensive upgrading project of the station squares of Beijing Metro Line 5, Line 13 and Changping Line. The amount of the agreement was RMB2,418,000 in total (subject to the price adjustment of the agreement), which shall be paid by the Principal to the Company in instalments.

As at the date of the above connected transactions announcement, the Domestic Shares and H Shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial shareholders of the Company and constitutes the connected person under the Chapter 14A of the Hong Kong Listing Rules. Metro Network Company, Beijing Metro Line 5 Investment Co., Ltd., Beijing Rail Transit Changping Line Investment Co., Ltd. and BII Rail Transit Asset Management Co., Ltd., being subsidiaries of Beijing Investment Company, constitute connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. The transactions between Beijing Investment Company and/or its subsidiaries and the Company constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the above agreements and the transactions contemplated thereunder constitute the connected transactions of the Company.

(II) Technical Consultation

On 25 October 2018, the Company entered into eight technical consultation agreements with Beijing Investment Company or its subsidiaries. For details, please refer to connected transactions announcement of the Company dated 25 October 2018.

The First Agreement:

The Company entered into a technical service agreement with BII Rail Transit Property Development Co., Ltd. ("**Beijing Investment Rail Company**") in relation to the analysis report on safety impact in respect of the transportation organization and connection facilities of the integrated convenient service facilities of the Beijing Metro Daxing Line Biomedical Base Station (the "**Biomedical Base Technical Service Agreement**").

According to the Biomedical Base Technical Service Agreement, Beijing Investment Rail Company entrusted the Company to conduct analysis on the changes in internal and external passenger flow caused by the Beijing Metro Daxing Line Biomedical Base Station integration project and pedestrian traffic organization, make recommendations on the improvement of the internal facilities of the station and the transportation connection facilities such as pedestrian roads, bicycles, taxis, and buses outside the station, and assist in completion of the review organized by the Municipal Transportation Commission. The amount of the agreement was RMB90,000 in total, which shall be paid by Beijing Investment Rail Company to the Company in instalments.

The Second Agreement:

The Company and Beijing Investment Company entered into a technical consultation agreement in relation to the planning proposal and the preparation of the feasibility study report of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Feasibility Study Consultation Agreement**").

According to the Feasibility Study Consultation Agreement, Beijing Investment Company entrusted the Company to undertake the technical consultation and document preparation for the planning proposal and feasibility study report of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works. The amount of the agreement was RMB1,677,500 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Third Agreement:

The Company and Beijing Investment Company entered into a technical consultation agreement in relation to the special section on the operation safety of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Operation Safety Consultation Agreement**").

According to the Operation Safety Consultation Agreement, Beijing Investment Company, as the leading unit of the preliminary planning work of Beijing rail transit, entrusted the Company to be the overall coordination and management unit and the special research unit to conduct the technical consultation and the preparation of special reports for the operation safety special project of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works. The amount of the agreement was RMB480,000 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Fourth Agreement:

The Company and Beijing Investment Company entered into a technical consultation agreement in relation to the social stability risk assessment report of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Social Stability Risk Consultation Agreement**").

According to the Social Stability Risk Consultation Agreement, Beijing Investment Company, as the leading unit of the preliminary planning work of Beijing rail transit, entrusted the Company to be the overall coordination and management unit and the special research unit to conduct the technical consultation and the preparation of special reports for the social stability risk assessment project of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works. The amount of the agreement was RMB380,000 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Fifth Agreement:

The Company and Beijing Investment Company entered into a technical consultation agreement in relation to the energy conservation assessment report of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Engineering Energy Conservation Consultation Agreement**").

According to the Engineering Energy Conservation Consultation Agreement, Beijing Investment Company, as the leading unit of the preliminary planning work of Beijing rail transit, entrusted the Company to be the overall coordination and management unit and the special research unit to conduct the technical consultation and the preparation of special reports for the energy conservation assessment report project of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works. The amount of the agreement was RMB300,000 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Sixth Agreement:

The Company and Beijing Investment Company entered into a technical consultation agreement in relation to the project risk assessment report of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Project Risk Consultation Agreement**").

According to the Project Risk Consultation Agreement, Beijing Investment Company, as the leading unit of the preliminary planning work of Beijing rail transit, entrusted the Company to be the overall coordination and management unit and the special research unit to conduct the technical consultation and the preparation of special reports for the project risk assessment report project of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works. The amount of the agreement was RMB300,000 in total, which will be paid by Beijing Investment Company to the Company in instalments.

The Seventh Agreement:

The Company entered into a technical consultation agreement with Beijing Investment Company and Beijing Institute of Architectural Design Co., Ltd. ("**BIAD**") in relation to the research on the aviation service function and scale of Lize urban airport terminal of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Airport Terminal Technical Consultation Agreement**").

According to the Airport Terminal Technical Consultation Agreement, Beijing Investment Company entrusted the Company and BIAD to conduct the technical consultation for the research project of the aviation service function and scale of Lize urban airport terminal of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District). The amount of the agreement was RMB498,000 in total, of which, RMB398,400 will be paid by Beijing Investment Company to the Company, and RMB99,600 will be paid by Beijing Investment Company to BIAD. The amount of the agreement will be paid by Beijing Investment Company to the Company and BIAD in instalments.

The Eighth Agreement:

The Company and Beijing Investment Company entered into a technical consultation agreement in relation to the general contracting management project for the research on the feasibility study report and related special topic of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works (the "**Feasibility Study Consultation Agreement**").

According to the Feasibility Study Consultation Agreement, Beijing Investment Company, as the leading unit of the preliminary planning work of Beijing rail transit, entrusted the Company to be the general contracting management unit for the research on the feasibility and related special topics of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works to conduct the overall coordination and management for the research on the feasibility study report and related special topics of Beijing rail transit new airport line (Caoqiao-Lize Financial Business District) works. The amount of the agreement was RMB200,000 in total, which will be paid by Beijing Investment Company to the Company in instalments.

As at the date of the connected transactions announcement, the Domestic Shares and H Shares of the Company held by Beijing Investment Company in aggregate accounted for 11.57% of the total issued Shares of the Company. Beijing Investment Company is one of the substantial shareholders of the Company and constitutes the connected person under Chapter 14A of the Hong Kong Listing Rules. Beijing Investment Rail Company is a subsidiary of Beijing Investment Company and constitutes the connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. The transactions between Beijing Investment Company and/or its subsidiaries and the Company constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the above agreements and the transactions contemplated thereunder constitute the connected transactions of the Company.

Non-exempt Continuing Connected Transactions

The annual caps for the non-exempt continuing connected transactions of the Group in 2018 and the actual transaction amounts of such continuing connected transaction of the Group in 2018 are set out below:

	Year ended 31 December 2018	
	Actual amount (RMB million)	Annual cap (RMB million)
1. Integrated Services Framework Agreement:		
(1) Revenue generated by the Group from providing services to BUCG, its subsidiaries, and/or associates	162	1,820
(2) Expenditure incurred by BUCG, its subsidiaries and/or associates for provision of services to the Group	64	1,128
2. Property and Land Leasing Framework Agreement: Expenditure incurred by the Group for leasing the property and land from BUCG, its subsidiaries and/or associates	15	18

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

The revised annual cap of the Integrated Services Framework Agreement entered into between the Company and BUCG on 18 June 2014 and the supplemental agreement of the Integrated Services Framework Agreement entered into on 9 December 2015 and the continuing connected transactions thereunder, was due to expire by the end of December 2016, subject to the approval by the Company at the 2017 first extraordinary general meeting on 9 March 2017. The Company renewed the Integrated Services Framework Agreement (the "**Integrated Services Framework Agreement**") with BUCG on 9 March 2017 for a term of three years commencing from 1 January 2017 and ending on 31 December 2019, and set the annual caps for the continuing connected transactions, for both revenue and expenditure, contemplated thereunder for the next three years ending 31 December 2019. For details, please refer to the announcement dated 8 December 2016 and circular dated 20 January 2017 of the Company.

Pursuant to the Integrated Services Framework Agreement, it was agreed between BUCG and the Group that:

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

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

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

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

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

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

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

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

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

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

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

As at the date of the above continuing connected transactions circular, BUCG is the controlling shareholder of the Company directly and indirectly holding an aggregate of 44.87% interest in the Company. Pursuant to the Chapter 14A of the Hong Kong Listing Rules, BUCG, its subsidiaries and associates are connected persons of the Company and the transactions contemplated between the Group and BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement proposed for renewal constitute continuing connected transactions of the Company.

As at 31 December 2018, (1) in respect of the revenue generated by the provision of services by the Group to BUCG, its subsidiaries, and/or associates, the annual cap in 2018 for such transactions was RMB1,820 million, whereas the actual revenue generated was RMB162 million; (2) in respect of the expenditure incurred for the provision of services by BUCG, its subsidiaries and/or associates to the Group, the annual cap in 2018 for such transactions was RMB1,128 million, whereas the actual expenditure incurred was RMB64 million.

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

In order to regulate the continuing connected transactions in respect of leasing of property and land between the parties, the Company and BUCG, its subsidiaries and/or associates entered into the Property and Land Leasing Framework Agreement dated 18 June 2014 for a term of ten years, and set the annual caps for the continuing connected transactions contemplated thereunder for the three financial years ended 31 December 2016. At the first extraordinary general meeting in 2017 convened on 9 March 2017, the annual caps for the continuing connected transactions contemplated and approved by the Company under the Property and Land Leasing Framework Agreement for the three financial years ended 31 December 2019 are RMB18 million, RMB18 million and RMB21 million respectively. For details, please refer to the announcement dated 8 December 2016 and the circular dated 19 January 2017.

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2018, in respect of the expenditure incurred for the lease of properties and land by the Group from BUCG, its subsidiaries, and/or associates, the annual cap in 2018 for such transactions was RMB18 million, whereas the actual expenditure was RMB15 million.

MATERIAL RELATED-PARTY TRANSACTIONS

Details of related-party transactions are set out in note 37 to the financial statements, in which certain transactions in such related-party transactions also constitute connected transactions as prescribed in Chapter 14A under the Hong Kong Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Hong Kong Listing Rules, and the connected transactions have complied the provisions in Chapter 14A under the Hong Kong Listing Rules.

Save as disclosed in the above connected transactions in this report, there is no other related-party transaction or continuing related-party transaction set out in note 37 to the financial statements which constitutes discloseable connected transactions or continuing connected transactions under the Hong Kong Listing Rules. The Company confirmed that its connected transactions or continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions.

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

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

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

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

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

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

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

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

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

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

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

The Company confirms that the execution and performance of the specific agreements under above continuing connected transactions during the year ended 31 December 2018 were in compliance with the pricing principles of such continuing connected transactions.

PERFORMANCE OF THE NON-COMPETITION AGREEMENT

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

BUCG stated that for the year ended 31 December 2018, it was not in breach of its undertakings under the Non-Competition Agreement. The independent non-executive Directors of the Company also reviewed the compliance of the Non-Competition Agreement by BUCG during the year 2018, and was of the view that BUCG had not breached the requirements of the Non-Competition Agreement.

PUBLIC FLOAT

Reference is made to the announcements of the Company dated 2 March 2018 and 29 March 2018 in respect of the insufficiency of public float. As disclosed in the announcement of the Company dated 11 July 2017, Beijing Infrastructure Investment (Hong Kong) Limited ("**Beijing Investment HK**"), a wholly-owned subsidiary of Beijing Infrastructure Investment Co., Ltd. ("**Beijing Investment Company**"), a shareholder of the Company, completed the acquisition of 68,222,000 H Shares of the Company indirectly held by Beijing Capital Group Ltd. ("**Beijing Capital**") through its controlled corporations (the "**Share Transfer**"). Before completion of the Share Transfer, Beijing Investment Company holds 87,850,942 Domestic Shares of the Company, accounting for 6.90% of the total issued Shares of the Company. Beijing Capital holds 73,493,000 H Shares of the Company, accounting for 5.77% of the total issued Shares of the Company. Each of Beijing Investment Company and Beijing Capital does not constitute the substantial shareholder of the Company and the Shares of the Company held by them are deemed as public float. Upon completion of the Share Transfer, Beijing Investment Company increases its shareholding by acquiring 68,222,000 H Shares of the Company, and the total Domestic Shares and H Shares held by it account for 12.26% of the total issued Shares of the Company, and Beijing Investment Company therefore becomes one of the substantial shareholders of the Company and constitutes a connected person under Chapter 14A of the Hong Kong Listing Rules. As such, 68,222,000 H Shares held by Beijing Investment Company would no longer be deemed as transferable shares held by public.

As of the date of this report, the public float of the Company was 23.69%, which failed to meet the requirements on minimum public float under Rule 8.08(1)(a) of the Hong Kong Listing Rules. For further details on the insufficiency of public float, please refer to the announcement of the Company dated 2 March 2018. The Company is proactively taking practicable measures to recover the public float level.

AUDITORS

The financial statements for the Year have been audited by Ernst & Young. In the forthcoming 2018 annual general meeting, a proposal for the re-appointment of Ernst & Young as the auditors of the Company for the financial year of 2019 will be proposed. They were also the auditors of the Company for at the time of listing and public offering. The Company has not changed its auditors over last three years.

MANAGEMENT CONTRACTS

No contracts regarding the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year of 2018.

By order of the Board
Shi Yubin
Chairman

Beijing, 29 March 2019

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders,

During the year of 2018, all members of the Board of Supervisors were in strict compliance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, strictly abided by the principle of good faith and performed their supervisory duties diligently through supervision over meetings and with focus on supervision over financial matters, internal control and compliance, effectively promoting the efficient operation of the Company's corporate governance and proactively protecting the interests of the shareholders, the Company and its employees.

MEETINGS OF THE BOARD OF SUPERVISORS

During the Year, the Board of Supervisors convened two meetings in March and August 2018, respectively, at which the Work Report of the Board of Supervisors for the Year 2017 of Beijing Urban Construction Design & Development Group Co., Limited, the Resolution on the Amendments to the Terms of Reference of the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, the Resolution on the Formulation of Applicable Terms of Reference of the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited Upon the Initial Public Offering of A Shares and Listing and the Proposal on the Election of the Chairman of the Second Session of the Board of Supervisors of the Company were considered and unanimously approved.

WORK OF THE BOARD OF SUPERVISORS

The Supervisors attended the meetings of the Board and the general meetings of the Company held in 2018 to monitor the validity and compliance of convening of and proposals and resolutions made during the meetings of the Board and general meetings of the Company, and supervised and reviewed the operation compliance, the major operating activities and the corporate governance structure as well as the performance of Directors and senior management of the Company, and provided suggestions to the Board.

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

CHANGE OF MEMBER OF THE BOARD OF SUPERVISORS

The terms of office of the members of the first session of the Board of Supervisors of the Company expired on 27 October 2016. Therefore, in accordance with the Company Law and the Articles of Association, the election of Supervisors of the second session of the Board of Supervisors was held, and was considered and approved at the 2018 first extraordinary general meeting of the Company. The members of the first session of the Board of Supervisors shall continue to perform their duties prior to the second session of the Board of Supervisors taking office after election.

At the 2018 first extraordinary general meeting held on 15 August 2018, Mr. Yuan Guoyue, Ms. Nie Kun, Ms. Zhao Hong, Mr. Chen Rui and Mr. Zuo Chuanchang were appointed as Supervisors of the second session of the Board of Supervisors to form the second session of the Board of Supervisors with the employee representative Supervisors, namely Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, with term of office of three years starting from 15 August 2018. Due to the arrangement for transition of the Board of Supervisors, Mr. Ren Chong retired as a Supervisor on the same date. At the meeting of the Board of Supervisors held on 15 August 2018, Mr. Yuan Guoyue was elected as the chairman of the second session of the Board of Supervisors with immediate effect. For details, please refer to the announcement of the Company published on 15 August 2018.

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

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

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

The financial statements are authentic and complete. The reviewed financial statements for the interim period of 2018 and the audited annual financial statements for 2018 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. These financial statements have given a true and fair view of the financial conditions and operating results of the Company and its subsidiaries. Accounting treatments have been applied consistently. The financial accounts were prepared regularly with clear records and complete information.

The Board of Supervisors remains optimistic towards the prospects of the Company. In 2019, the Board of Supervisors will continue to perform its responsibility of supervision in accordance with the relevant provisions of the Company Law and the Articles of Association and based on its work plan for the year, strengthen supervision over the Company's legal compliance and improvement of the internal control system to ensure efficient operation and sound development of corporate governance of the Company, further improve its performance ability by strengthening its supervision, and broadening and innovating the thinking of work, diligently perform all its duties and earnestly safeguard the interests of shareholders, the Company and employees.

Yuan Guoyue
Chairman of the Board of Supervisors

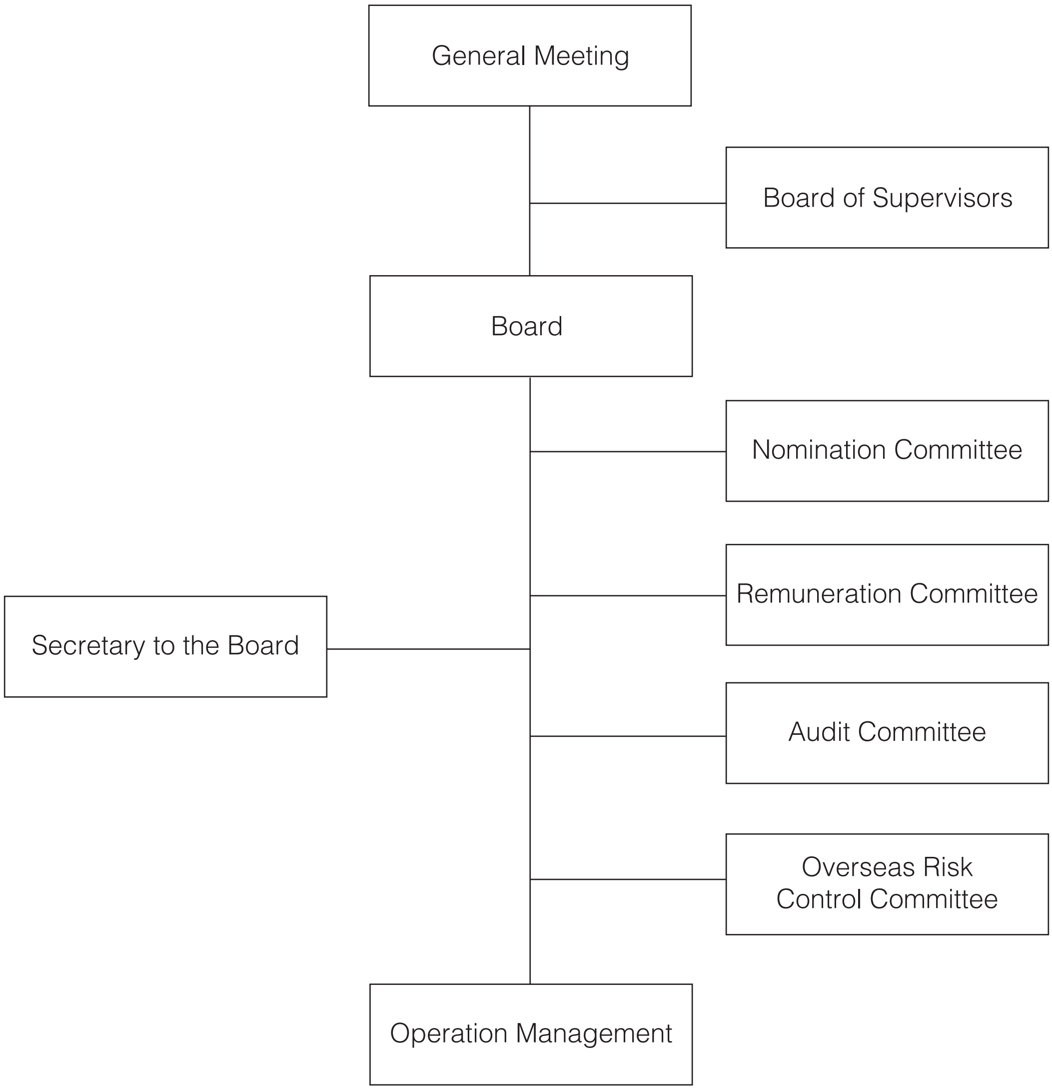
Beijing, 29 March 2019

CORPORATE GOVERNANCE REPORT

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

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

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



THE BOARD

Overview

During the Year, the Board convened five general meetings in total, including two class meetings and submitted 56 proposals to the general meeting. Eight Board meetings were convened, including one Board meeting for non-executive Directors, at which 55 resolutions were considered and approved.

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

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

COMPOSITION

The terms of office of the members of the first session of the Board of the Company expired on 21 October 2016. Therefore, in accordance with the Company Law and the Articles of Association, the election of Directors of the second session of the Board was held, and was considered and approved at the 2018 first extraordinary general meeting of the Company. The members of the first session of the Board shall continue to perform their duties prior to the second session of the Board taking office after election.

During the Year, the Board comprised the following Directors:

Name	Position	Date of commencement and termination of the current term of office
Mr. Wang Hanjun	Executive Director, General Manager	15 August 2018 to 14 August 2021
Mr. Li Guoqing	Executive Director	15 August 2018 to 14 August 2021
Ms. Wang Liping	Non-executive Director, Chairman (retired on 15 August 2018)	22 October 2013 to 21 October 2016
Ms. Guo Yanhong	Non-executive Director (resigned on 26 March 2018)	28 January 2016 to 21 October 2016
Mr. Shi Yubin	Non-executive Director, Chairman	15 August 2018 to 14 August 2021
Mr. Tang Shuchang	Non-executive Director	15 August 2018 to 14 August 2021
Ms. Wu Donghui	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Guan Jifa	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Ren Yuhang	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Su Bin	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Yan Lianyuan	Non-executive Director (retired on 15 August 2018)	9 March 2017 to the expiry of the previous session
Mr. Yu Xiaojun	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Ren Chong	Non-executive Director	15 August 2018 to 14 August 2021
Mr. Zhang Fengchao	Independent non-executive Director (retired on 15 August 2018)	16 December 2013 to 21 October 2016
Mr. Wang Dexing	Independent non-executive Director	15 August 2018 to 14 August 2021
Dr. Yim Fung	Independent non-executive Director	15 August 2018 to 14 August 2021
Mr. Sun Maozhu	Independent non-executive Director	15 August 2018 to 14 August 2021
Mr. Liang Qinghuai	Independent non-executive Director	15 August 2018 to 14 August 2021
Mr. Qin Guisheng	Independent non-executive Director	15 August 2018 to 14 August 2021

Changes in the Board members during the period from 1 January 2018 to the date of this report are as follows:

Ms. Guo Yanhong has rendered her resignation as a non-executive Director to the Company due to work arrangement, effective from 26 March 2018. For details, please refer to the announcement of the Company published on 26 March 2018.

At the 2018 first extraordinary general meeting held on 15 August 2018, Mr. Wang Hanjun and Mr. Li Guoqing were appointed as executive Directors. Mr. Shi Yubin, Mr. Tang Shuchang, Ms. Wu Donghui, Mr. Guan Jifa, Mr. Ren Yuhang, Mr. Su Bin, Mr. Yu Xiaojun and Mr. Ren Chong were appointed as non-executive Directors. Mr. Wang Dexing, Dr. Yim Fung, Mr. Sun Maozhu, Mr. Liang Qinghuai and Mr. Qin Guisheng were appointed as independent non-executive Directors. They were appointed as Directors of the second session of the Board, with term of office of three years starting from 15 August 2018. Ms. Wang Liping, Mr. Yan Lianyuan and Mr. Zhang Fengchao retired as Directors on the same date. For details, please refer to the announcement of the Company published on 15 August 2018.

At the Board meeting held on 15 August 2018, the Board elected Mr. Shi Yubin as the Chairman of the second session of the Board with immediate effect.

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

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

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

DUTIES AND RESPONSIBILITIES:

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

RESPONSIBILITIES OF THE MANAGEMENT

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

CHAIRMAN AND GENERAL MANAGER

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

DIRECTORS TRAINING

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

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

Director	Corporate governance	Laws and regulations	Business management
Executive Directors			
Mr. Wang Hanjun	✔	✔	✔
Mr. Li Guoqing	✔	✔	✔
Non-executive Directors			
Ms. Wang Liping (retired on 15 August 2018)	✔	✔	✔
Ms. Guo Yanhong (resigned on 26 March 2018)	✔		
Mr. Shi Yubin (appointed on 15 August 2018)	✔	✔	✔
Mr. Tang Shuchang	✔	✔	✔
Ms. Wu Donghui (appointed on 15 August 2018)	✔	✔	✔
Mr. Guan Jifa	✔	✔	✔
Mr. Ren Yuhang (appointed on 15 August 2018)	✔	✔	✔
Mr. Su Bin	✔	✔	✔
Mr. Yan Lianyuan (retired on 15 August 2018)	✔	✔	✔
Mr. Yu Xiaojun (appointed on 15 August 2018)	✔	✔	✔
Mr. Ren Chong (appointed on 15 August 2018)	✔	✔	✔
Independent non-executive Directors			
Mr. Zhang Fengchao (retired on 15 August 2018)	✔	✔	✔
Mr. Wang Dexing	✔	✔	✔
Dr. Yim Fung	✔	✔	✔
Mr. Sun Maozhu	✔	✔	✔
Mr. Liang Qinghuai	✔	✔	✔
Mr. Qin Guisheng (appointed on 15 August 2018)	✔	✔	✔

SUMMARY OF WORK UNDERTAKEN

During the Year, the Board convened a total of five general meetings, including two extraordinary general meetings, and submitted 56 resolutions to the general meetings. Eight Board meetings were convened in total, including one Board meeting for non-executive Directors, at which 55 resolutions were considered and approved.

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

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Wang Hanjun	7	7	0
Mr. Li Guoqing	7	7	0
Ms. Wang Liping (retired on 15 August 2018)	3	3	0
Ms. Guo Yanhong (resigned on 26 March 2018)	1	1	0
Mr. Shi Yubin (appointed on 15 August 2018)	5	5	0
Mr. Tang Shuchang	8	8	0
Ms. Wu Donghui (appointed on 15 August 2018)	5	5	0
Mr. Guan Jifa	8	5	3
Mr. Ren Yuhang (appointed on 15 August 2018)	5	5	0
Mr. Su Bin	8	8	0
Mr. Yan Lianyuan (retired on 15 August 2018)	3	3	0
Mr. Yu Xiaojun (appointed on 15 August 2018)	5	5	0
Mr. Ren Chong (appointed on 15 August 2018)	5	5	0
Mr. Zhang Fengchao (retired on 15 August 2018)	3	3	0
Mr. Wang Dexing	8	8	0
Dr. Yim Fung	8	8	0
Mr. Sun Maozhu	8	8	0
Mr. Liang Qinghuai	8	8	0
Mr. Qin Guisheng (appointed on 15 August 2018)	5	5	0

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

- the convening of five general meetings and submission of 56 resolutions to the general meeting, including the audited consolidated financial statements for 2017 and its summary, the Report of the Board of Directors for 2017, the report of final financial accounts for 2017, the investment plans for 2018, the profits distribution plan and the dividend declaration proposal for 2017, the re-appointment of auditors, the appointment of Directors of the second session of the Board and Supervisors of the second session of the Board of Supervisors, the proposed amendments to the Articles of Association, the proposed general mandate to issue debt financing instrument, and the proposed continuing connected transactions with Beijing Capital, all of which were approved at the general meeting;

- the convening of eight Board meetings and consideration and approval of 55 resolutions, including the profits distribution plan and the dividend declaration proposal for 2017, the completion of investments in 2017 and the investment plan for 2018, the interim results announcement and interim report of the Company for 2018, and the establishment of Guizhou Jingjian Capital Construction Investment Co., Ltd. and Yunnan Jingjian Capital Construction Investment Co., Ltd..

NOMINATION COMMITTEE

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

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

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

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

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

3. Members of the Board have different education backgrounds, of which they receive bachelor's degree in engineering and construction, doctoral degree in heat supply, gas supply, ventilation and air-conditioning engineer, master's degree in business administration, doctoral degree in civil engineering construction and management, doctoral degree in corporate management, master's degree in economics and master's degree in law. Their ages are from 43 to 72, with one female member.

During the Year, the Nomination Committee held two meetings in total to consider and approve the resolution on the nomination of Mr. Shi Yubin as a candidate for Director, Mr. Qin Guisheng as a candidate for independent Director, and Mr. Ma Haizhi and Mr. Yin Zhiguo as deputy general managers of the Company. The attendance record of the meetings of the members of the Nomination Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Fengchao	Chairman of the Nomination Committee Independent non-executive Director (retired on 15 August 2018)	1	1	0
Mr. Shi Yubin	Chairman of the Nomination Committee Non-executive Director (appointed on 15 August 2018)	1	1	0
Ms. Wang Liping	Non-executive Director (retired on 15 August 2018)	2	2	0
Mr. Su Bin	Non-executive Director (appointed on 15 August 2018)	1	1	0
Mr. Wang Dexing	Independent non-executive Director (appointed on 15 August 2018)	1	1	0
Mr. Liang Qinghuai	Independent non-executive Director	2	2	0
Mr. Qin Guisheng	Independent non-executive Director (appointed on 15 August 2018)	1	1	0

REMUNERATION COMMITTEE

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

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

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

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Dr. Yim Fung	Chairman of the Remuneration Committee (ceased on 15 August 2018) Independent non-executive Director	0	0	0
Mr. Wang Dexing	Chairman of the Remuneration Committee Independent non-executive Director (appointed on 15 August 2018)	1	1	0
Ms. Wu Donghui	Non-executive Director (appointed on 15 August 2018)	1	1	0
Mr. Su Bin	Non-executive Director (ceased on 15 August 2018)	0	0	0
Mr. Ren Chong	Non-executive Director (appointed on 15 August 2018)	1	1	0
Dr. Yim Fung	Independent non-executive Director (appointed on 15 August 2018)	1	1	0
Mr. Sun Maozhu	Independent non-executive Director	1	1	0

AUDIT COMMITTEE

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

During the Year, the Audit Committee held three meetings in total to consider and approve the proposals in respect of the result of review on 2017 annual report, independence of external auditors, efficiency of internal control system, the result of review on 2018 interim report and the review on the audit plan for 2018. The attendance record of the meetings of the members of the Audit Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Sun Maozhu	Chairman of the Audit Committee Independent non-executive Director	3	3	0
Mr. Guan Jifa	Non-executive Director (ceased on 15 August 2018)	1	1	0
Mr. Ren Yuhang	Non-executive Director (appointed on 15 August 2018)	2	0	2
Mr. Yu Xiaojun	Non-executive Director (appointed on 15 August 2018)	2	2	0
Mr. Liang Qinghuai	Independent non-executive Director	3	2	1
Mr. Qin Guisheng	Independent non-executive Director (appointed on 15 August 2018)	2	2	0

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2018.

EXTERNAL AUDITORS

In 2018, the Company should pay RMB3.38 million to external auditors in relation to auditing services, which included the payments on auditing the annual financial report of 2018 and reviewing the interim financial report of 2018. Other non-audit services provided by the external auditors to the Company include tax consulting services. The remuneration paid by the Company in respect of such non-audit services amounted to RMB26,000 in total.

OVERSEAS RISK CONTROL COMMITTEE

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

As the Company has few overseas operations, and all three committee members conduct interaction and communication by informal meetings regularly. In 2018, the Overseas Risk Control Committee held two meetings to consider the development of the Company's overseas operations. The attendance record of the meetings of the members of the Overseas Risk Control Committee is as follows:

Name of member	Position	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Ms. Wang Liping	Chairman of the Overseas Risk Control Committee Non-executive Director (retired on 15 August 2018)	1	1	0
Mr. Shi Yubin	Chairman of the Overseas Risk Control Committee Non-executive Director (appointed on 15 August 2018)	1	1	0
Mr. Wang Hanjun	Executive Director	2	2	0
Mr. Li Guoqing	Executive Director	2	2	0

INTERESTS HELD BY THE DIRECTORS AND SECURITIES TRANSACTIONS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible for monitoring the preparation of the financial statements for every financial year and ensuring those financial statements provide a true and fair view on the business conditions, operating results and cash flows of the Group in the relevant period. In preparing the financial statements as at 31 December 2018, the Directors have selected appropriate accounting policies and applied them consistently, adopted all relevant standards in compliance with the International Financial Reporting Standards, and made a prudent and reasonable judgment and estimation and prepared the financial statements on a going concern basis.

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

Risk Management and Internal Control

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

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

The Main Features of the Risk Management and Internal Control Systems

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

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

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

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

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

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

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

Internal Audit Function

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

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

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

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

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

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

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

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

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

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

Procedures of Addressing the Material Deficiencies in the Internal Control System

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

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

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

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

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

Board of Supervisors

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

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

The terms of office of the members of the first session of the Board of Supervisors of the Company expired on 21 October 2016. Therefore, in accordance with the Company Law and the Articles of Association, the election of Supervisors of the second session of the Board of Supervisors was held, and was considered and approved at the 2018 first extraordinary general meeting of the Company. The members of the first session of the Board of Supervisors shall continue to perform their duties prior to the second session of the Board of Supervisors taking office after election.

During the period from 1 January 2018 to the date of this report, the changes of the members of the Board of Supervisors are as follows:

At the 2018 first extraordinary general meeting held on 15 August 2018, Mr. Yuan Guoyue, Ms. Nie Kun, Ms. Zhao Hong, Mr. Chen Rui and Mr. Zuo Chuanchang were appointed as Supervisors of the second session of the Board of Supervisors to form the second session of the Board of Supervisors with the employee representative Supervisors, namely Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, with term of office of three years starting from 15 August 2018. Due to the arrangement for transition of the Board of Supervisors, Mr. Ren Chong retired as a Supervisor on the same date. At the meeting of the Board of Supervisors held on 15 August 2018, Mr. Yuan Guoyue was elected as the chairman of the second session of the Board of Supervisors with immediate effect. For details, please refer to the announcement of the Company published on 15 August 2018.

Directors' Responsibility for the Financial Statements

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

Independence of Independent Non-executive Directors

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

Company Secretaries

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

GENERAL MEETING

The general meeting is the supreme authority of the Company. It performs its functions according to law and makes decisions on major issues in relation to the Company. The annual general meetings or extraordinary general meetings provide a channel for the shareholders of the Company to communicate directly with the Board. In 2018, the Company convened two extraordinary general meetings, one H Shares class meeting, one Domestic Shares class meeting and one annual general meeting in total, at which 56 proposals were considered and approved. All the Directors, Supervisors and senior management members shall, as far as practicable, attend the general meeting of the Company. The following is the attendance record of the general meeting of the Directors:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Wang Hanjun	5	4
Mr. Li Guoqing	5	5
Ms. Wang Liping (retired on 15 August 2018)	3	3
Ms. Guo Yanhong (resigned on 26 March 2018)	0	0
Mr. Shi Yubin (appointed on 15 August 2018)	2	2
Mr. Tang Shuchang	5	4
Ms. Wu Donghui (appointed on 15 August 2018)	2	2
Mr. Guan Jifa	5	3
Mr. Ren Yuhang (appointed on 15 August 2018)	2	2
Mr. Su Bin	5	5
Mr. Yan Lianyuan (retired on 15 August 2018)	3	2
Mr. Yu Xiaojun (appointed on 15 August 2018)	2	2
Mr. Ren Chong (appointed on 15 August 2018)	2	2
Mr. Zhang Fengchao (retired on 15 August 2018)	3	3
Mr. Wang Dexing	5	5
Dr. Yim Fung	5	3
Mr. Sun Maozhu	5	5
Mr. Liang Qinghuai	5	5
Mr. Qin Guisheng (appointed on 15 August 2018)	2	2

RIGHTS OF SHAREHOLDERS

Methods of Convening Extraordinary General Meetings

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

Procedures for Proposing Extraordinary Proposals at General Meetings

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

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

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

Information Disclosure and Investor Relations

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

During the Reporting Period, the Company continued to attach importance to network building in order to adapt to the changes of the means of information disclosure required by the Hong Kong Stock Exchange, to disclose every piece of information in a timely and accurate manner and to update and announce the operation dynamics and information in a timely manner. The Company also continued to modify the Chinese and English versions of the website pursuant to the latest requirements under the Hong Kong Listing Rules, enabling investors to have a clear picture of the recent development of the Company. Detailed information of each business activity of the Company and all published announcements are available for inquiry and downloading from the Company's website, www.bjucd.com.

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. The Company timely communicated its operating results and business development trends with investors after the announcements of the 2017 annual results and 2018 interim results by way of results briefings and roadshows in order to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, holding telephone conferences, attending major investment forums, by telephone and email, etc. and proactively provides investor relations information on the Company's website, with a view to establish and maintain a good relationship with investors.

Articles of Association

The latest version of the Articles of Association is set out on the websites of the Company and the Hong Kong Stock Exchange.

During the Reporting Period, integrating the actual needs of the Company, the Company amended, supplemented and optimized the Articles of Association of the Company (the "**First Amendment**") in accordance with relevant requirements of the Company Law, the Securities Law of People's Republic of China and Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) after the approval by the Board and the general meeting of the Company. For details of the First Amendment, please refer to the circular of the Company dispatched on 13 April 2018 and the announcement of the Company published on 29 May 2018.

During the Reporting Period, in accordance with the Notice Regarding the Promotion of the Requirements of Incorporation of Party Building Work into the Articles of Associations of State-owned Enterprises (《中共中央組織部國務院國資委黨委關於扎實推動國有企業黨建工作要求寫入公司章程的通知》), the Company Law and other relevant regulation, and with reference to the actual needs of the Company, the Company made corresponding amendments to the Articles of Association (the "**Second Amendment**") upon approval of the Board and at the general meeting of the Company. For details of the Second Amendment, please refer to the announcements of the Company published on 15 August 2018 and 25 October 2018, respectively, and the circular of the Company dispatched on 9 October 2018.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
22/F CITIC Tower
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Tel: +852 2846 9888
Fax: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Beijing Urban Construction Design & Development Group Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 125 to 286, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2018, the trade receivables of the Group amounted to RMB3,159 million which represented 19% of its total assets. According to the impairment requirements of IFRS 9 Financial Instruments, the Group established a provision matrix based on its historical credit loss experience and existence of disputes, and adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considered the credit risk characteristics of different customers and calculated expected credit losses ("ECLs") on trade receivables based on the combination of individual and collective assessment. The Group recognized a loss allowance based on lifetime ECLs. Making the allowance involved significant management judgement and estimates. More details are set out in note 2.4 impairment of financial assets, note 3 significant accounting judgements and estimates – provision for expected credit losses on trade receivables and contract assets and note 23 trade and bills receivables to the consolidated financial statements.	We assessed the adequacy and appropriateness of the impairment allowance of trade receivables by obtaining an understanding of, assessing and testing the relevant internal controls over impairment of trade receivables of the Group, reviewing the accounting policy for impairment of trade receivables, assessing the appropriateness of the policy and the reasonableness of the expected credit loss rate, assessing the reliability of management's assumptions, considering the impact of the forward-looking information, and considering whether there were special impairment indications about long ageing receivables and overdue receivables. For impairment allowance determined on individual assessment basis, we assessed the adequacy of impairment allowance determined by management, by reviewing the forward-looking information, reviewing the subsequent collection after the reporting period, and evaluating whether the respective debtors have been experiencing significant financial difficulty, default or delinquency in interest or principal payments. For impairment allowance determined on collective assessment basis, we tested the accuracy of the ageing of trade receivable balances by tracing to details of ledger accounts and delivery evidence and reviewed the forward-looking information. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for service concession arrangements	
The Group engaged in certain service concession arrangements pursuant to which the Group is required to build, operate and transfer the urban roads and received in return rights to the income arising from operation of such roads for certain concession periods after the completion of construction of such roads. The measurement of revenue and cost for the service concession arrangements involved significant management judgment and estimates including determination of applicable accounting model, estimating future guaranteed receipts, estimation of prevailing market rate of construction gross margins, and discount rate used. More details are set out in note 2.4 service concession arrangements, note 3 significant accounting judgements and estimates – accounting for service concession arrangements, note 5 revenue, other income and gains, note 19 financial receivables and note 22 contract assets to the consolidated financial statements.	We obtained an understanding of, assessed and tested the relevant internal controls over accounting for service concession arrangements, assessed the appropriateness of the accounting model adopted by reviewing the contract terms of whether the Group has an unconditional contractual right under the service concession arrangement to receive a determinable amount of payments during the concession period, and reviewed the methods and assumptions adopted by management in determining the future guaranteed receipts estimated. We involved our internal valuation specialist to assess the rate of construction gross margins and discount rate used. We tested the calculation of financial receivables and revenue. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	7,186,146	6,972,545
Cost of sales	7	(5,762,345)	(5,629,327)
Gross profit		1,423,801	1,343,218
Other income and gains	5	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	6	(189,931)	(141,244)
Share of profits and losses of:			
Joint ventures		(13,594)	(1,659)
Associates		4,803	3,742
PROFIT BEFORE TAX	7	686,932	608,755
Income tax expense	9	(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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2018

	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	29	(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)	11	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	12	498,519	435,912
Prepaid land lease payments	13	221,170	226,310
Intangible assets	14	7,074	6,185
Investments in joint ventures	15	103,130	38,445
Investments in associates	16	98,679	103,192
Equity investments designated at fair value through other comprehensive income	17	8,650	–
Available-for-sale investments	17	–	19,902
Deferred tax assets	18	128,537	105,541
Financial receivables	19	2,897,230	3,641,891
Contract assets	22	1,478,469	–
Trade receivables	23	–	33,421
Prepayments, other receivables and other assets	24	354,051	371,702
Total non-current assets		5,795,509	4,982,501
CURRENT ASSETS			
Prepaid land lease payments	13	5,152	5,163
Inventories	20	99,947	79,616
Trade and bills receivables	23	3,254,521	2,357,225
Prepayments, other receivables and other assets	24	712,563	1,363,596
Contract assets	22	2,311,571	–
Amounts due from contract customers	21	–	1,941,949
Financial receivables	19	309,235	208,730
Pledged deposits	25	21,214	21,177
Cash and bank balances	25	3,892,576	3,381,887
Total current assets		10,606,779	9,359,343
CURRENT LIABILITIES			
Trade payables	26	2,849,156	2,677,859
Amounts due to contract customers	21	–	1,531,631
Other payables and accruals	27	3,892,892	2,221,156
Interest-bearing bank and other borrowings	28	508,400	230,000
Provisions for supplementary retirement benefits	29	3,690	3,650
Tax payable		38,646	57,616
Provision	30	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	18	4,038	3,073
Interest-bearing bank and other borrowings	28	4,098,225	3,077,432
Provisions for supplementary retirement benefits	29	65,836	58,530
Other payables and accruals	27	292,131	288,954
Provision	30	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	31	1,348,670	1,348,670
Reserves	32	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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 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	6	189,931	141,244
Foreign exchange differences, net	7	(9,671)	12,818
Interest income	5	(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	7	–	(1,975)
Gains on disposal of financial assets at fair value through profit or loss	7	(4,933)	–
Depreciation of items of property, plant and equipment	7	82,292	37,264
Amortisation of intangible assets	7	2,906	3,134
Amortisation of prepaid land lease payments	7	5,151	4,053
Impairment of trade receivables, net	7	106,305	78,457
Impairment of financial receivables, net	7	570	–
Impairment of other receivables, net	7	1,459	4,695
Impairment of amounts due from contract customers, net	7	–	23,572
Reversal of impairment of contract assets, net	7	(23,211)	–
Provision for foreseeable losses on contracts, net	7	13,225	39,098
Loss on disposal of items of property, plant and equipment, net	7	103	92
		732,052	683,189
Increase in inventories		(20,331)	(12,541)
Changes in contract assets		(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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows (used in)/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
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(119,154)	(120,754)
Additions to intangible assets	14	(3,795)	(1,161)
Additions to prepaid land lease payments	13	–	(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 a joint venture		(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		637	588
Borrowings to a joint venture and an associate		–	(483,000)
Withdrawal of borrowings to a joint venture and an associate		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)
Dividend paid to shareholders		(134,058)	(126,758)
Dividend 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	25	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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

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

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company 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
Beijing Urban Construction Design (Hong Kong) Co., Ltd. ("北京城建設計(香港)有限公司")		The PRC/Hong Kong 5 January 2015	HKD3,000,000	100%	–	Advisory services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Anhui Jingjian Capital Construction Investment Co., Ltd. ("安徽京建投資建設有限公司")		The PRC/Mainland China 12 May 2015	RMB500,000,000	88%	–	Construction project investment, construction and operation maintenance
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
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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

Company name*	Notes	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction 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
Beijing Urban Construction Design & Development Group Guangzhou Construction Co., Ltd. ("北京城建設計發展集團廣州建設有限公司")	(v)	The PRC/Mainland China 22 November 2018	RMB10,000,000	100%	-	Construction contracting

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

* 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 Anjie and the related party of the Company, whereby Beijing Urban Rail Transit Consulting Co., Ltd. has 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. Therefore the financial statements of Anjie are consolidated by the Company since 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 the subsidiary of the Company, Beijing Urban Infrastructure Construction Investment Management Co., Ltd.. The Company directly and indirectly owned a 90% equity interest in the entity.

(v) On 22 November 2018, Beijing Urban Construction Design & Development Group Guangzhou Construction Co., Ltd. was established by the Company. The Company directly owned a 100% equity interest in the entity.

All the subsidiaries are limited liability companies.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Classification and measurement (Continued)

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	IAS 39 Measurement Amount RMB'000	Re-classification RMB'000	ECL RMB'000	Other RMB'000	IFRS 9 Measurement Amount RMB'000	IFRS 9 Measurement 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 investments	(ii)			11,252	–	–		
Trade and bills receivables	(iii)	L&R[3]	2,343,173	–	(15,843)	–	2,327,330	AC[4]
Financial receivables	(iii)	L&R	1,882,574	–	(2,640)	–	1,879,934	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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Classification and measurement (Continued)

		IAS 39					IFRS 9	
		Measurement		Re-			Measurement	
		Category	Amount	classification	ECL	Other	Amount	Category
	Notes		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			8,962,622	–	(18,455)	–	8,944,167	
Other assets								
Contract assets	(iii)		3,981,444	–	(10,702)	–	3,970,742	
Deferred tax assets			105,541	–	–	5,057	110,598	
Total assets			13,049,607	–	(29,157)	5,057	13,025,507	
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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Classification and measurement (Continued)

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, financial 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 notes 19, 22, 23 and 24 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowances under IFRS 9 at 1 January 2018 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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Impairment (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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 notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

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)	3,981,444
Total assets		23,975
Liabilities:		
Amounts due to contract customers	(i)	(1,531,631)
Provision	(i)	41,384
Other payables and accruals – advances from customers	(iii)	(1,336,066)
Other payables and accruals – contract liabilities	(i) (iii)	2,850,288
Total liabilities		23,975

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:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	Increase/
		IFRS 15	IFRS 15	(decrease)
	Notes	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 – contract liabilities	(iii)	2,885,170	–	2,885,170
Other payables and accruals – other than contract liabilities	(i) (iii)	1,299,853	2,413,933	(1,114,080)
Total liabilities		4,251,192	4,228,514	22,678

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

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 RMB1,965,924,000 from amounts due from the contract customers to contract assets, and RMB23,975,000 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

(i) Construction services (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

(iii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers which are included in other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB1,336,066,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB1,114,080,000 was reclassified from advances from customers to contract liabilities in relation to the consideration received from customers in advance.

(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 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term interests in associates and joint ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

IFRS 16, replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB98 million and lease liabilities of RMB60 million will be recognised at 1 January 2019 with a corresponding adjustment to the opening balance of retained earnings.

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

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

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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

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

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Office software

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

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements

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

Consideration given by the Grantors

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

Construction or upgrade services

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

Operating services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement (Continued)

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement (Continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition (applicable before 1 January 2018)” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

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

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

Available-for-sale financial investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

General approach (Continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Simplified approach

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

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

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from 1 January 2018)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from 1 January 2018) (Continued)

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

Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before 1 January 2018)

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

Loans and borrowings

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

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

Financial guarantee contracts (policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018) (Continued)

Construction services, design, survey and consultancy services

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

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 January 2018)

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

(a) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

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

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

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

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

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

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

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

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

(c) The costs are expected to be recovered.

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

Contracts for services (applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services (applicable before 1 January 2018) (Continued)

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

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

Construction contracts (applicable before 1 January 2018)

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

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

Foreign currencies

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

Employee benefits

Retirement benefits

(a) Social pension plans

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

(b) Annuity plan

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Retirement benefits (Continued)

(c) *Supplementary retirement benefits*

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Retirement benefits (Continued)

(c) Supplementary retirement benefits (continued)

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

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

Termination benefits

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

Housing fund and other social insurances

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Accounting for service concession arrangements

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Revenue from contracts with customers

Determining the method to estimate variable consideration and assessing the constraint for construction services

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

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

Estimation uncertainty

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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

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

Percentage of completion of construction and service works

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Current income tax and deferred income tax

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

Deferred tax assets

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

Provision for expected credit losses on trade receivables and contract assets

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

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment assets exclude deferred tax assets, unallocated cash and bank balances, unallocated pledged deposits 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	3,514,181	3,671,965	–	7,186,146
Intersegment sales	65,118	–	(65,118)	–
Total revenue	3,579,299	3,671,965	(65,118)	7,186,146
Segment results	471,827	48,532	23,773	544,132
Interest income	8,141	307,476	–	315,617
Finance costs	–	(189,931)	–	(189,931)
Gains on disposal of financial assets at fair value through profit or loss	2,651	2,282	–	4,933
Profit of segments for the year	482,619	168,359	23,773	674,751
Income tax expense				(133,126)
Unallocated interest income				12,181
Profit for the year				553,806
Segment assets	5,565,976	9,362,709	(169,312)	14,759,373
Corporate and other unallocated assets				1,642,915
Total assets				16,402,288

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018 (Continued)

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017 (Continued)

	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Eliminations RMB'000	Total RMB'000
Segment liabilities	4,424,966	6,218,715	(545,844)	10,097,837
Corporate and other unallocated liabilities				60,689
Total liabilities				10,158,526
Other segment information				
Share of profits and losses of:				
Joint ventures	(1,659)	–	–	(1,659)
Associates	3,742	–	–	3,742
Depreciation	23,535	13,729	–	37,264
Amortisation	7,187	–	–	7,187
Provision for				
– foreseeable losses on contracts	19,332	19,766	–	39,098
– impairment 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2018 RMB'000	2017 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 asset information above exclude financial assets and deferred tax assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about two major customers

During the year 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 year 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

5. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December	
	2018 RMB'000	2017 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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(ii) Performance obligations

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

Design, survey and consultancy services

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

Construction services

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

	Year ended 31 December	
	2018 RMB'000	2017 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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. PROFIT BEFORE TAX

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

		Year ended 31 December	
	Notes	2018 RMB'000	2017 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	12/(a)	82,292	37,264
Amortisation of prepaid land lease payments	13	5,151	4,053
Amortisation of intangible assets	14	2,906	3,134
Total depreciation and amortisation		90,349	44,451
Impairment of trade receivables, net	23	106,305	78,457
Impairment of financial receivables, net	19	570	–
Impairment of other receivables, net	24	1,459	4,695
Reversal of impairment of contract assets, net	22	(23,211)	–
Impairment of amounts due from contract customers, net		–	23,572

7. PROFIT BEFORE TAX (CONTINUED)

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

	Notes	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Provision for foreseeable losses on contracts, net		13,225	39,098
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	29	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	5	(327,798)	(265,935)
Government grants	5	(2,574)	(205)
Gains on disposal of available-for-sale investments	5	–	(1,975)
Gains on disposal of financial assets at fair value through profit or loss	5	(4,933)	–
Loss on disposal of items of property, plant and equipment, net		103	92
Foreign exchange differences, net		(9,671)	12,818

7. PROFIT BEFORE TAX (CONTINUED)

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.

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

Directors' and supervisors' remuneration

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Fees	725	606
Other emoluments:		
– Salaries, allowances and benefits in kind	1,053	1,373
– Performance-related bonuses	2,806	3,981
– Pension schemes	412	439
	4,996	6,399

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2018

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors						
Mr. Wang Hanjun (王漢軍)						
(Chief executive)		–	265	763	93	1,121
Mr. Li Guoqing (李國慶)		–	309	755	92	1,156
		–	574	1,518	185	2,277
Non-executive Directors						
Ms. Wang Liping (王麗萍)	(i)	–	–	–	–	–
Mr. Yan Lianyuan (閆連元)	(i)	–	–	–	–	–
Mr. Su Bin (蘇斌)		–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)		–	–	–	–	–
Mr. Guan Jifa (關繼發)		–	–	–	–	–
Ms. Guo Yanhong (郭延紅)	(ii)	–	–	–	–	–
Mr. Shi Yubin (史育斌)	(iii)	–	–	–	–	–
Ms. Wu Donghui (吳東慧)	(iii)	–	–	–	–	–
Mr. Ren Yuhang (任宇航)	(iii)	–	–	–	–	–
Mr. Yu Xiaojun (郁曉軍)	(iii)	–	–	–	–	–
Mr. Ren Chong(任崇)	(iii)	–	–	–	–	–
		–	–	–	–	–

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2018 (Continued)

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Independent Non-executive Directors						
Mr. Zhang Fengchao (張鳳朝)	(iv)	–	–	–	–	–
Mr. Qin Guisheng (覃桂生)	(v)	131	–	–	–	131
Mr. Yim Fung (閻峰)		131	–	–	–	131
Mr. Sun Maozhu (孫茂竹)		131	–	–	–	131
Mr. Liang Qinghuai (梁青槐)		131	–	–	–	131
Mr. Wang Dexing (王德興)		131	–	–	–	131
		655	–	–	–	655
Supervisors						
Ms. Nie Kun (聶菎)		–	–	–	–	–
Mr. Chen Rui (陳瑞)		–	–	–	–	–
Mr. Ren Chong (任崇)	(vi)	–	–	–	–	–
Ms. Yang Huiju (楊卉菊)		–	170	497	91	758
Mr. Liu Hao (劉皓)		–	157	602	87	846
Mr. Ban Jianbo (班健波)		–	152	189	49	390
Mr. Yuanguoyue (袁國躍)		–	–	–	–	–
Ms. Zhaohong (趙鴻)		–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)		70	–	–	–	70
		70	479	1,288	227	2,064
		725	1,053	2,806	412	4,996

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2017

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors					
Mr. Wang Hanjun (王漢軍) (Chief executive)	–	255	725	84	1,064
Mr. Li Guoqing (李國慶)	–	302	721	83	1,106
	–	557	1,446	167	2,170
Non-executive Directors					
Ms. Wang Liping (王麗萍)	–	–	–	–	–
Mr. Chen Daihua (陳代華)	–	–	–	–	–
Mr. Su Bin (蘇斌)	–	–	–	–	–
Mr. Kong Lingbin (孔令斌)	–	–	–	–	–
Mr. Yan Lianyuan (閆連元)	–	–	–	–	–
Mr. Tang Shuchang (湯舒暢)	–	–	–	–	–
Mr. Guan Jifa (關繼發)	–	–	–	–	–
Ms. Guo Yanhong (郭延紅)	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors					
Mr. Zhang Fengchao (張鳳朝)	–	–	–	–	–
Mr. Yim Fung (閻峰)	125	–	–	–	125
Mr. Sun Maozhu (孫茂竹)	125	–	–	–	125
Mr. Liang Qinghuai (梁青槐)	125	–	–	–	125
Mr. Wang Dexing (王德興)	125	–	–	–	125
	500	–	–	–	500

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

Directors' and supervisors' remuneration (Continued)

Year ended 31 December 2017 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Supervisors					
Ms. Nie Kun (聶菎)	–	–	–	–	–
Mr. Chen Rui (陳瑞)	–	–	–	–	–
Mr. Ren Chong (任崇)	–	–	–	–	–
Mr. Wang Jingang (王金剛)	–	178	319	53	550
Mr. Zhang Wei (張巍)	–	150	844	44	1,038
Ms. Mi Jianzhou (彌建洲)	–	176	510	45	731
Mr. Wang Wenjiang (王文江)	–	148	410	43	601
Ms. Yang Huiju (楊卉菊)	–	57	190	36	283
Mr. Liu Hao (劉皓)	–	57	197	34	288
Mr. Ban Jianbo (班健波)	–	50	65	17	132
Mr. Yuanguoyue (袁國躍)	–	–	–	–	–
Ms. Zhaohong (趙鴻)	–	–	–	–	–
Mr. Zuo Chuanchang (左傳長)	67	–	–	–	67
Mr. Zhang Junming (張俊明)	39	–	–	–	39
	106	816	2,535	272	3,729
	606	1,373	3,981	439	6,399

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

Directors' and supervisors' remuneration (continued)

Notes:

(i) Ms. Wang Liping and Mr. Yan Lianyuan resigned as Non-executive Directors with effect from 15 August 2018.

(ii) Ms. Guo Yanhong resigned as a Non-executive Director with effect from 26 March 2018.

(iii) Mr. Shi Yubin, Ms. Wu Donghui, Mr. Ren Yuhang, Mr. Yu Xiaojun and Mr. Ren Chong were appointed as non-executive Directors with effect from 15 August 2018.

(iv) Mr. Zhang Fengchao resigned as an Independent Non-executive Director with effect from 15 August 2018.

(v) Mr. Qin Guisheng was appointed as an Independent Non-executive Director with effect from 15 August 2018.

(vi) Mr. Ren Chong resigned as a Supervisor with effect from 15 August 2018.

(a) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the years ended 31 December 2018 and 2017 is as follows:

	Year ended 31 December	
	2018	2017
Non-director and non-supervisor employees	5	5

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

(a) Five highest paid employees (Continued)

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	947	1,168
Performance-related bonuses	10,200	11,135
Pension schemes	305	388
	11,452	12,691

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

	Year ended 31 December	
	2018	2017
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$3,000,000	5	3
HK$6,000,001 to HK$6,500,000	–	1
	5	5

During the years ended 31 December 2018 and 2017, except for Mr. Zhang Fengchao, no Directors, supervisors, and none of the non-director and non-supervisor highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Company and certain subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 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	
	Note	2018 RMB'000	2017 RMB'000
Current income tax – Mainland China		150,055	118,971
Deferred income tax	18	(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 RMB'000	2017 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 recognized	25,894	1,382
Tax charge for the year at the effective rate	133,126	96,746

10. 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.

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

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

	Year ended 31 December	
	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.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2018

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

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2017

	Buildings RMB'000	Machinery RMB'000	Production equipment RMB'000	Motor vehicles RMB'000	Measurement and experimental equipment RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017:									
Cost	124,893	276,739	2,210	44,062	58,835	60,798	41,089	939	609,565
Accumulated depreciation	(22,221)	(113,444)	(1,096)	(20,241)	(27,229)	(41,913)	(27,416)	–	(253,560)
Net carrying amount	102,672	163,295	1,114	23,821	31,606	18,885	13,673	939	356,005
At 1 January 2017, net of accumulated depreciation	102,672	163,295	1,114	23,821	31,606	18,885	13,673	939	356,005
Additions	–	3,197	5,056	9,668	15,421	14,376	16,925	53,678	118,321
Disposals	(124)	(58)	–	(952)	–	(16)	–	–	(1,150)
Depreciation provided during the year (note 7)	(2,894)	(10,529)	(1,208)	(4,436)	(4,027)	(7,871)	(6,299)	–	(37,264)
At 31 December 2017, net of accumulated depreciation	99,654	155,905	4,962	28,101	43,000	25,374	24,299	54,617	435,912
At 31 December 2017:									
Cost	122,409	279,641	7,265	48,437	74,249	74,650	58,014	54,617	719,282
Accumulated depreciation	(22,755)	(123,736)	(2,303)	(20,336)	(31,249)	(49,276)	(33,715)	–	(283,370)
Net carrying amount	99,654	155,905	4,962	28,101	43,000	25,374	24,299	54,617	435,912

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB6,448,000 as at 31 December 2018 (2017: RMB12,350,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2018.

13. PREPAID LAND LEASE PAYMENTS

	Note	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		231,473	32,646
Addition for the year		–	202,880
Amortisation for the year	7	(5,151)	(4,053)
Carrying amount at 31 December		226,322	231,473
Portion classified as current assets		(5,152)	(5,163)
Non-current portion		221,170	226,310

14. INTANGIBLE ASSETS

Software	Note	2018 RMB'000	2017 RMB'000
At 1 January:			
Cost		25,513	24,352
Accumulated amortisation for the year		(19,328)	(16,194)
Net carrying amount		6,185	8,158
Cost at beginning of the year, net of accumulated amortisation		6,185	8,158
Additions		3,795	1,161
Amortisation provided during the year	7	(2,906)	(3,134)
At 31 December		7,074	6,185
At 31 December:			
Cost		29,308	25,513
Accumulated amortisation for the year		(22,234)	(19,328)
Net carrying amount		7,074	6,185

15. INVESTMENTS IN JOINT VENTURES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	103,130	38,445

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

The above investments are directly held by the Company.

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Share of the joint ventures' loss for the year	(13,594)	(1,659)
Share of the joint ventures' other comprehensive income	–	–
Share of the joint ventures' total comprehensive loss	(13,594)	(1,659)

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	103,130	38,445

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2018 and 2017.

16. INVESTMENTS IN ASSOCIATES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	98,679	103,192

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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Share of the associates' profit for the year	4,803	3,742
Share of the associates' other comprehensive income	–	–
Share of the associates' total comprehensive income	4,803	3,742

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's investments in the associates	98,679	103,192

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value			
Jiangsu Urban Rail Transit Design Research Institute Co., Ltd. ("江蘇城市軌道交通研究設計院股份有限公司")		3,650	–
Zhongdixin Geographic Information Equity Investment Fund Limited. ("中地信地理信息股權投資基金")		5,000	–
Beijing Capital Engineering Company ("北京首都工程公司")		1,300	–
Impairment of equity investments		(1,300)	–
		8,650	–
Available-for-sale investments			
Unlisted equity investments		–	9,950
Other financial assets	(i)	–	11,252
Impairment of equity investments		–	(1,300)
		–	19,902

Note:

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

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

Other comprehensive income of RMB1,252,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2018 and 2017 are as follows:

	Note	2018 RMB'000	2017 RMB'000
Deferred tax assets:			
At beginning of the year		105,541	81,320
Effect of adoption of IFRS 9		5,057	–
At beginning of the year (restated)		110,598	81,320
Acquisition of a subsidiary		45	–
Deferred tax credited to profit or loss during the year	9	17,894	24,221
At end of the year		128,537	105,541
Deferred tax liabilities:			
At beginning of the year		3,073	1,077
Deferred tax charged to profit or loss during the year	9	965	1,996
At end of the year		4,038	3,073

18. DEFERRED TAX (CONTINUED)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	90,839	67,330
Provision for impairment of available-for-sale investments	–	325
Provision for impairment of equity investments designated at fair value through other comprehensive income	325	–
Provision for impairment of amounts due from contract customers	–	3,925
Provision for impairment of contracts assets	1,545	–
Provision for foreseeable losses on construction and service contracts	7,967	8,379
Provision	6,467	–
Accrued employee costs	8,100	11,832
Unrealised gains arising from intra-group transactions	6,689	8,774
Tax losses	6,318	4,732
Others	287	244
	128,537	105,541
Deferred tax liabilities:		
Differences on depreciation of property, plant and equipment	4,038	3,073

The Group has tax losses arising in Hong Kong of RMB2,081,000 (2017: RMB1,628,000) that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB90,596,000 (2017: RMB3,902,000) that will expire in one to five years for offsetting against future taxable profits.

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

19. FINANCIAL RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Receivables for service concession arrangements	3,209,675	3,850,621
Provision for impairment	(3,210)	–
Receivables for service concession arrangements, net	3,206,465	3,850,621
Portion classified as non-current assets	(2,897,230)	(3,641,891)
Current portion	309,235	208,730

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

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
At beginning of the year		–	–
Effect of adoption of IFRS 9		2,640	–
At beginning of the year 2018 (restated)		2,640	–
Impairment losses recognised	7	570	–
		3,210	–

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

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

At 31 December 2018, the Group's financial receivables of RMB3,209,675,000 (31 December 2017: RMB3,850,621,000) were pledged to secure certain of the Group's bank loans, amounting to RMB3,894,225,000 (31 December 2017: RMB2,599,032,000) (note 28).

20. INVENTORIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Raw materials	89,818	69,664
Spare parts and consumables	10,129	9,952
	99,947	79,616

21. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Construction contracts

	31 December 2018 RMB'000	31 December 2017 RMB'000
Amounts due from contract customers	–	616,823
Provision for impairment	–	(3,891)
Amounts due from contract customers, net	–	612,932
Amounts due to contract customers	–	(306,841)
	–	306,091

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	–	19,351,480
Less: Progress billings received and receivable	–	(19,045,389)
	–	306,091

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

Contracts for services

	31 December 2018 RMB'000	31 December 2017 RMB'000
Amounts due from contract customers	–	1,348,698
Provision for impairment	–	(19,681)
Amounts due from contract customers, net	–	1,329,017
Amounts due to contract customers	–	(1,224,790)
	–	104,227

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	–	15,624,472
Less: Progress billings received and receivable	–	(15,520,245)
	–	104,227

The movements in provision for impairment of amounts due from customers are as follows:

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
At beginning of the year	–	–
Impairment losses recognised	–	23,572
At end of the year	–	23,572

22. CONTRACT ASSETS

	Note	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from:				
Design, survey and consultancy services		1,744,029	1,351,978	–
Construction services		372,870	637,518	–
Service concession arrangements		1,684,204	2,015,520	–
		3,801,103	4,005,016	–
Impairment		(11,063)	(34,274)	–
		3,790,040	3,970,742	–
Portion classified as non-current contract assets	(i)	(1,478,469)	(876,877)	–
Current portion		2,311,571	3,093,865	–

Note:

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

22. CONTRACT ASSETS (CONTINUED)

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

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

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

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

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

	RMB'000
Within one year	2,311,571
More than one year	1,478,469
Total contract assets	3,790,040

22. CONTRACT ASSETS (CONTINUED)

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

	Notes	2018 RMB'000
At beginning of the year	21	23,572
Effect of adoption of IFRS 9		10,702
At beginning of the year (restated)		34,274
Impairment losses recognised	7	777
Impairment losses reversed	7	(23,988)
At end of the year		11,063

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

22. CONTRACT ASSETS (CONTINUED)

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

	31 December 2018
Expected credit loss rate	0.29%
	RMB'000
Gross carrying amount	3,801,103
Expected credit losses	11,063

Included in the Group's contract assets are amounts due from the Group's joint ventures and associates of RMB147,000 and RMB426,000, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

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

The amounts due from the Beneficial Shareholders (i) included in the contract assets are as follows:

	31 December 2018 RMB'000
Beneficial Shareholders	23,717

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

23. 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)
		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.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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	7	118,635	89,870
Impairment losses reversed	7	(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.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under IFRS 9 for the year ended 31 December 2018 (Continued)

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 IAS 39 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 IAS 39, 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.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under IAS 39 for the year ended 31 December 2017 (Continued)

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 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.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Beneficial Shareholders and their affiliates	658,141	598,063
BUCG	52,236	23,213
Fellow subsidiaries	15,324	9,397
Associates	2,003	741
An associate of BUCG	1,592	3,430
	729,296	634,844

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

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments		315,266	241,985
Deductible value added tax		230,796	179,404
Deposits and other receivables		538,599	1,330,525
		1,084,661	1,751,914
Impairment allowance		(18,047)	(16,616)
		1,066,614	1,735,298
Portion classified as non-current assets	(i)	(354,051)	(371,702)
Current portion		712,563	1,363,596

Note:

(i) The non-current portion of deposits and other receivables mainly represents deductible value added tax, amounts due from a joint venture and reimbursed expenses on behalf of the customers at 31 December 2018 and 2017.

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

	Note	2018 RMB'000	2017 RMB'000
At beginning of the year		16,616	11,921
Effect of adoption of IFRS 9		(28)	–
At beginning of the year (restated)		16,588	11,921
Impairment losses recognised	7	5,036	7,046
Impairment losses reversed	7	(3,577)	(2,351)
At end of the year		18,047	16,616

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Impairment under IFRS 9 for the year ended 31 December 2018

As at 31 December 2018, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was as follows:

	31 December 2018
Expected credit loss rate	3.35%
Gross carrying amount (RMB'000)	538,289
Expected credit losses (RMB'000)	18,047

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of other receivables which was measured based on incurred credit losses under IAS 39 as at 31 December 2017 was a provision for individually impaired other receivables of RMB7,298,000 with a carrying amount before provision of RMB7,298,000.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The amounts due from joint ventures and other related parties included in the prepayments, other receivables and other assets are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Joint ventures	100,867	489,101
Fellow subsidiaries	12,982	364
An associate	2,449	34,344
Beneficial Shareholders and their affiliates	300	–
An associate of BUCG	–	8,582
	116,598	532,391

As at 31 December 2018, the amounts due from a joint venture amounting to RMB88,000,000 (31 December 2017: RMB480,000,000) bear interest at 4.75% per annum.

As at 31 December 2017, the amounts due from associates amounting to RMB16,000,000 bear interest at 10% per annum.

As at 31 December 2018, the other receivables amounting to RMB204,486,000 (31 December 2017: RMB520,253,000) were pledged to secure certain of the Group's bank loans, amounting to RMB3,894,225,000 (31 December 2017: RMB2,599,032,000) (note 28).

Except the above, the prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of settlement.

25. 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.

26. 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 RMB'000	31 December 2017 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.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Associates of BUCG	77,544	193,818
Fellow subsidiaries	75,579	129,844
BUCG	3,153	43
An associate	2,607	4,267
A joint venture	2,003	3,360
Beneficial Shareholders and their affiliates	180	180
	161,066	331,512

27. OTHER PAYABLES AND ACCRUALS

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
Advances from customers		–	1,336,066
Contract liabilities	(i)	2,885,170	–
Accrued salaries, wages and benefits		401,449	411,872
Other taxes payable		677,950	517,455
Retention payables		81,847	115,402
Dividend payable to non-controlling shareholders		1,984	–
Interest payable		20,523	16,798
Deferred revenue		21,671	21,210
Other payables		94,429	91,307
		4,185,023	2,510,110
Portion classified as non-current liabilities	(ii)	(292,131)	(288,954)
Current portion		3,892,892	2,221,156

Notes:

(i) Contract liabilities include short-term advances received from customers and amounts due to contract customers. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers and amounts due to contract customers in relation to the provision of design, survey and consultancy services and construction services at the end of the year.

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes: (Continued)

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers:		
Design, survey and consultancy services	1,009,337	1,007,104
Construction services	104,743	328,962
	1,114,080	1,336,066
Amounts due to contract customers:		
Design, survey and consultancy services	1,488,441	1,207,381
Construction services	282,649	306,841
	1,771,090	1,514,222
Total contract liabilities	2,885,170	2,850,288

(ii) The non-current portion mainly represented output value added tax, the performance guaranteed amounts from sub-contractors and suppliers of the Group and government grants at 31 December 2018 and 2017.

The amounts due to the Beneficial Shareholders and their affiliates, associates and other related parties included in other payables and accruals are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Beneficial Shareholders and their affiliates	376,592	316,064
Associates	35,941	4,778
BUCG	35,667	1,946
Fellow subsidiaries	11,730	8,526
A non-controlling shareholder	3,404	10,101
Associates of BUCG	893	6,534
A joint venture	179	–
	464,406	347,949

As at 31 December 2018, the amounts due to an associate amounting to RMB30,000,000 bear interest at 4.75% per annum.

Except the above, the other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of settlement.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2018			31 December 2017		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Non-current						
Long term bank loans:						
– secured (i)	4.41%–4.90%	2019–2041	3,520,225	4.41%–4.90%	2019–2029	2,369,032
Long term other borrowings:						
– unsecured	3.98%–4.90%	2019–2026	578,000	3.98%–4.90%	2019–2026	708,400
			4,098,225			3,077,432
Current						
Current portion of long term bank loans:						
– secured (i)	4.41%–4.90%	2019	374,000	4.66%–4.90%	2018	230,000
Short term bank loans:						
– unsecured	5.655%–6.525%	2019	4,000			–
			378,000			230,000
Current portion of long term other borrowings:						
– unsecured	4.90%	2019	130,400			–
			508,400			230,000
			4,606,625			3,307,432
Denominated in:						
– RMB			4,606,625			3,307,432

(i) The bank loans of RMB3,894,225,000 (31 December 2017: RMB2,599,032,000) were secured by the pledge of the other receivables amounting to RMB204,486,000 (31 December 2017: RMB520,253,000), contract assets amounting to RMB1,622,519,000 and financial receivables amounting to RMB3,209,675,000 (31 December 2017: RMB3,850,621,000) under the service concession arrangements.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2018 and 2017 is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	378,000	230,000
In the second year	358,000	374,000
In the third to fifth years, inclusive	1,074,000	799,066
Beyond fifth years	2,088,225	1,195,966
	3,898,225	2,599,032
Other borrowings repayable:		
Within one year	130,400	–
In the second year	–	130,400
In the third to fifth years, inclusive	220,000	220,000
Beyond fifth years	358,000	358,000
	708,400	708,400
	4,606,625	3,307,432

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
A non-controlling shareholder	508,400	508,400

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

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

The Group's obligations in respect of the above supplementary retirement benefits at 31 December 2018 and 2017 were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅資詢公司) using the projected unit credit actuarial valuation method.

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

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

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
At end of the year	69,526	62,180
Portion classified as current liabilities	(3,690)	(3,650)
Non-current portion	65,836	58,530

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

	2018 RMB'000	2017 RMB'000
At beginning of the year	62,180	53,620
Interest costs on benefit obligations	2,560	2,040
Current service costs	1,110	1,180
Past service costs	–	3,450
Benefits paid during the year	(3,514)	(2,990)
Re-measurement loss recognised in other comprehensive income	7,190	4,880
At end of the year	69,526	62,180

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

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

The details of re-measurement loss recognised in other comprehensive income of the Group during the years ended 31 December 2018 and 2017 are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Actuarial changes arising from changes in financial assumptions	6,550	(6,470)
Actuarial changes due to demographic assumption changes	–	6,760
Liability experience adjustments	640	4,590
Re-measurement loss recognised in other comprehensive income	7,190	4,880

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest costs on benefit obligations	2,560	2,040
Current service costs	1,110	1,180
Past service costs	–	3,450
	3,670	6,670

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Discount rates	3.50%	4.25%

Mortality rate	Average life expectancy of residents in Mainland China	
Average annual benefit increase:		
– Cost of living adjustment for internal retirees	4.00%	4.00%
– Medical expenses	8.00%	8.00%
– Withdrawal rate for actives	3.00%	3.00%

The average duration of the provision for supplementary retirement benefits and early retirement benefits at 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Average life expectancy	46.1 years	46.5 years

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS (CONTINUED)

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at the end of 31 December 2018 and 2017 is as follows:

	Increase in rate %	Increase/(decrease) in provisions for supplementary retirement benefits RMB'000	Decrease in rate %	Increase/(decrease) in provisions for supplementary retirement benefits RMB'000
As at 31 December 2018				
Discount rate	0.25	(2,310)	(0.25)	2,450
Future medical expense	0.25	830	(0.25)	(790)
As at 31 December 2017				
Discount rate	0.25	(1,930)	(0.25)	2,030
Future medical expense	0.25	720	(0.25)	(690)

The sensitivity analysis above has been made based on a method that extrapolates the impact on the provisions for supplementary retirement benefits as a result of reasonable changes in key assumptions occurring at 31 December 2018 and 2017.

30. PROVISION

Provision of the Group this year contains warranty and provision for foreseeable losses on contracts. The Group provides regular maintenance ranging to its customers for construction products for general repairs of defects occurring during the warranty period under which faulty parts are repaired or replaced. The amount of the provision for the maintenance is estimated based on urban road technical maintenance norms and experience. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

As at 31 December 2018, the provision for foreseeable losses on contracts are estimated using percentage to be completed multiply by foreseeable losses of the contract. The foreseeable losses are the differences between expenditure estimated fulfilling the contract and cash inflows when finishing the contract. The estimated expenditure and foreseeable cash inflows are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

	Year ended 31 December			
			2018 RMB'000	2017 RMB'000
	Warranty	Provision for foreseeable losses on contracts	Total	Warranty
At beginning of the year	8,625	–	8,625	–
Effect of adoption of IFRS 9	–	41,384	41,384	–
At beginning of the year (restated)	8,625	41,384	50,009	–
Additional provision	17,244	14,185	31,429	8,625
Reversal of unutilised amounts	–	(960)	(960)	–
Amounts utilised during the year	–	(14,309)	(14,309)	–
At end of the year	25,869	40,300	66,169	8,625
Portion classified as current liabilities	–	(27,121)	(27,121)	–
Non-current portion	25,869	13,179	39,048	8,625

31. 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

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2018	3,307,432	–	16,798
Changes from financing cash flows	1,299,193	(143,862)	(186,206)
Interest expense	–	–	189,931
Final 2017 dividend declared	–	134,058	–
Dividend declared to non-controlling shareholders	–	9,804	–
At 31 December 2018	4,606,625	–	20,523

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Changes in liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2017	1,878,400	–	11,918
Changes from financing cash flows	1,429,032	(127,331)	(136,364)
Interest expense	–	–	141,244
Final 2016 dividend declared	–	126,758	–
Dividend declared to non-controlling shareholders	–	573	–
At 31 December 2017	3,307,432	–	16,798

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for biding guarantees and performance guarantees and interest-bearing bank loans are disclosed in note 19, note 22, note 24, note 25 and note 28 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2018 and 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	55,859	53,714
In the second to fifth years, inclusive	44,701	63,869
After five years	2,326	288
	102,886	117,871

36. COMMITMENTS

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
Equity investments	3,683,390	2,901,040
Property, plant and equipment	188,308	219,786
	3,871,698	3,120,826

37. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	340,310	310,698
BUCG	39,590	19,164
Fellow subsidiaries	38,798	14,636
Associates	3,179	52
Associates of BUCG	1,478	370
	423,355	344,920
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	1,152,598	1,338,216
BUCG	83,515	18,438
Fellow subsidiaries	–	13,399
	1,236,113	1,370,053

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (Continued)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Construction contracting services provided by:		
Fellow subsidiaries	61,095	132,552
Associates of BUCG	48,425	244,892
BUCG	3,111	–
	112,631	377,444
Design, survey and consultancy services provided by:		
Associates	14,863	21,378
A joint venture	6,669	5,874
An associate of BUCG	195	1,060
	21,727	28,312
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	12,568	12,514
BUCG	2,863	2,477
	15,431	14,991

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (Continued)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Borrowings provided by:		
An associate	30,000	–
Construction in progress provided by:		
Fellow subsidiaries	1,973	756
Finance costs paid or payable to:		
A non-controlling shareholder	24,934	24,934
An associate	23	–
	24,957	24,934
Borrowings provided to:		
A joint venture	88,000	480,000
Associates	–	3,000
	88,000	483,000
Interest income received or receivable from:		
A joint venture	7,564	3,944
An associate	98	1,845
	7,662	5,789

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (Continued)

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

The Group guaranteed certain of a joint venture's interest-bearing bank borrowings and certain of the associates' letters of guarantee for performance for projects undertaking and the outstanding balances of such guarantees as at 31 December 2018 and 2017 were RMB280 million and RMB17 million, respectively.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively, "State-owned Enterprises" ("SOEs")). During the years ended 31 December 2018 and 2017, the Group entered into extensive transactions with other SOEs, such as bank deposits, the rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machinery. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (Continued)

The Company issued domestic shares of the scheme to several executive directors, supervisors and key management personnel on 29 December 2017. The details are as follows:

	Note	Employee stock ownership scheme Number of Shares 2018 RMB'000	2017 RMB'000
Executive Directors			
Mr. Wang Hanjun (王漢軍) (Chief executive)		1,000	1,000
Mr. Li Guoqing (李國慶)		1,000	1,000
		2,000	2,000
Key management personnel			
Mr. Yang Xiuren (楊秀仁)		750	750
Mr. Cheng Yan (成硯)		150	150
Mr. Wan Xuehong (萬學紅)		750	750
Mr. Jin Huai (金淮)		750	750
Mr. Wang Liang (王良)		750	750
Mr. Yu Songwei (於松偉)		750	750
Mr. Xiao Mujun (肖木軍)		750	750
Mr. Liu Li (劉立)		750	750
Mr. Xuan Wenchang (玄文昌)		750	750
Mr.Ma Haizhi (馬海志)	(i)	660	660
Mr.Yin Zhiguo (尹志國)	(i)	620	620
		7,430	7,430

Note:

(i) Mr. Ma Haizhi and Mr. Yin Zhiguo were appointed as key management personnel with effect from 15 August 2018.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Design, survey and consultancy services provided to:			
BUCG		39,590	19,164
Fellow subsidiaries		38,798	14,636
A Beneficial Shareholder and its affiliates	(i)	86,866	64,405
		165,254	98,205
Construction contracting services provided to:			
BUCG		83,515	18,438
Fellow subsidiaries		–	13,399
A Beneficial Shareholder and its affiliates	(i)	189,458	321,592
		272,973	353,429

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
Construction contracting services provided by:			
Fellow subsidiaries		61,095	132,552
BUCG		3,111	–
		64,206	132,552
Rental expenses and property management fees paid or payable to:			
BUCG		2,863	2,477
Fellow subsidiaries		12,568	12,514
		15,431	14,991

Note:

(i) Beijing Infrastructure Investment Co., Ltd., a Beneficial Shareholder of the Company, became a connected party of the Company from 11 July 2017.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 23, 24, 26, 27 and 28 to the financial statements.

(d) Compensation of key management personnel of the Group

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Short term employee benefits	8,514	8,595
Pension scheme	839	768
	9,353	9,363

(e) Commitments with related parties

As at 31 December 2018, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

Pursuant to certain construction contracts signed by the Company and BUCG, certain Beneficial Shareholders and their affiliates, the Company was engaged to build certain subways and the backlog as at 31 December 2018 amounted to RMB2,479 million (31 December 2017: RMB2,220 million).

Pursuant to certain design service contracts signed by the Company and a certain Beneficial Shareholder and its affiliates and BUCG and fellow subsidiaries, the Company was engaged to design certain subways and industrial and civil construction and municipal engineering and the backlog as at 31 December 2018 amounted to RMB1,006 million (31 December 2017: RMB1,177 million).

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	31 December 2018 RMB'000
Financial assets	
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	8,650
Financial assets at amortised cost:	
Trade and bills receivables	3,254,521
Financial receivables	3,206,465
Contract assets	1,622,226
Financial assets included in prepayments, other receivables and other assets	520,242
Pledged deposits	21,214
Cash and bank balances	3,892,576
	12,525,894
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	4,606,625
Trade payables	2,849,156
Financial liabilities included in other payable and accruals	198,783
	7,654,564

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

	31 December 2017 RMB'000
Financial assets	
Available-for-sale financial investments:	
Available-for-sale investments	19,902
Loans and receivables:	
Trade and bills receivables	2,390,646
Financial receivables	3,850,621
Financial assets included in prepayments, deposits and other receivables	1,313,909
Pledged deposits	21,177
Cash and bank balances	3,381,887
	10,978,142
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	3,307,432
Trade payables	2,677,859
Financial liabilities included in other payables, advances from customers and accruals	232,132
	6,217,423

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts 31 December		Fair values 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial assets				
Available-for-sale investments	–	11,252	–	11,252
Financial assets designated at fair value through other comprehensive income	8,650	–	8,650	–
Trade receivables, non-current portion	–	33,421	–	31,872
Financial receivables	3,206,465	3,850,621	3,231,317	3,851,560
Contract assets	1,622,226	–	1,623,105	–
Financial assets included in prepayments, other receivables and other assets, non-current portion	145,915	371,702	143,805	371,246
	4,983,256	4,266,996	5,006,877	4,265,930
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	4,098,225	3,077,432	3,934,504	3,050,349
Financial liabilities included in other payables and accruals, non-current portion	3,853	21,340	3,945	21,273
	4,102,078	3,098,772	3,938,449	3,071,622

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

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

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

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

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

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

The fair value of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on the industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to the earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

Fair value hierarchy:

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

Assets measured at fair value:

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income:				
Unlisted equity investments	–	8,650	–	8,650

31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Wealth investment products	–	11,252	–	11,252

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

Fair value hierarchy: (Continued)

Assets for which fair values are disclosed:

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial receivables	–	3,231,317	–	3,231,317
Contract assets	–	1,623,105	–	1,623,105
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	143,805	–	143,805
	–	4,998,227	–	4,998,227

31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables, non-current portion	–	31,872	–	31,872
Financial receivables	–	3,851,560	–	3,851,560
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	371,246	–	371,246
	–	4,254,678	–	4,254,678

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

Fair value hierarchy: (Continued)

Liabilities for which fair values are disclosed:

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	3,934,504	–	3,934,504
Financial liabilities included in other payables and accruals, non-current portion	–	3,945	–	3,945
	–	3,938,449	–	3,938,449

31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	3,050,349	–	3,050,349
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	21,273	–	21,273
	–	3,071,622	–	3,071,622

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

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

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

	Increase/(decrease) in basis point	Increase/(decrease) in profit before tax	
		2018 RMB'000	2017 RMB'000
Market interest rates	1%	(30,836)	(22,423)
Market interest rates	(1%)	30,836	22,423

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

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

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

Details of the Group's cash and bank balances and pledged deposits at the end of the reporting period are disclosed in note 25 to the financial statements.

The following tables indicate the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure during the years ended 31 December 2018 and 2017. The sensitivity analysis is on bank deposits in United States dollars and Hong Kong dollars.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

Effects on profit before tax

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit before tax 2018 RMB'000	2017 RMB'000
If RMB weakens against the United States dollar	5%	13,196	80,313
If RMB strengthens against the United States dollar	(5%)	(13,196)	(80,313)
If RMB weakens against the Hong Kong dollar	5%	2	18
If RMB strengthens against the Hong Kong dollar	(5%)	(2)	(18)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and has applied the exposure to foreign currency risk to bank deposits denominated in United States dollars and Hong Kong dollars in existence at that date.

(c) Credit risk

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	3,790,040	3,790,040
Trade and bills receivables*	–	–	3,254,521	3,254,521
Financial assets included in prepayments, other receivables and other assets				
– Normal**	520,242	–	–	520,242
Financial receivables	3,206,465	–	–	3,206,465
Pledged deposits				
– Not yet past due	21,214	–	–	21,214
Cash and bank balances				
– Not yet past due	3,892,576	–	–	3,892,576
Guarantees given to banks in connection with facilities granted to a joint venture				
– Not yet past due	280,000	–	–	280,000
	7,920,497	–	7,044,561	14,965,058

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2018, the financial assets classified to stage 2 for lifetime ECLs are other receivables with a gross carrying amount of approximately RMB7,143,000. As they are fully impaired, the net carrying amount is nil.

Maximum exposure as at 31 December 2017

Substantially all of the Group's cash and bank balances and pledged deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

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

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

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2018			
Interest-bearing bank and other borrowings	508,400	4,098,225	4,606,625
Interest payments on bank and other borrowings	172,081	831,543	1,003,624
Trade payables	2,849,156	–	2,849,156
Financial liabilities included in other payables and accruals	194,930	3,853	198,783
	3,724,567	4,933,621	8,658,188
31 December 2017			
Interest-bearing bank and other borrowings	230,000	3,077,432	3,307,432
Interest payments on bank and other borrowings	150,108	570,968	721,076
Trade payables	2,677,859	–	2,677,859
Financial liabilities included in other payables and accruals	210,792	24,180	234,972
	3,268,759	3,672,580	6,941,339

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Interest-bearing bank and other borrowings	4,606,625	3,307,432
Trade payables	2,849,156	2,677,859
Financial liabilities included in other payables and accruals	198,783	232,132
Cash and bank balances	(3,892,576)	(3,381,887)
Pledged deposits	(21,214)	(21,177)
Net debt	3,740,774	2,814,359
Total equity	4,583,105	4,183,318
Capital and net debt	8,323,879	6,997,677
Gearing ratio	45%	40%

41. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 10 to the financial statements, the board of Directors of the Company proposed on 29 March 2019, a final dividend of RMB0.1102 per share in respect of the year ended 31 December 2018. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	216,488	167,501
Prepaid land lease payments	221,170	226,310
Intangible assets	4,322	3,841
Investments in subsidiaries	1,768,095	1,633,989
Investments in joint ventures	120,730	42,450
Investments in associates	85,114	90,220
Available-for-sale investments	–	15,212
Equity investments designated at fair value through other comprehensive income	3,650	–
Deferred tax assets	85,225	75,667
Contract assets	60,007	–
Prepaid land lease payments	–	92,533
Prepayments, other receivables and other assets	114,940	9,979
Total non-current assets	2,679,741	2,357,702

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

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
CURRENT ASSETS		
Prepaid land lease payments	5,152	5,163
Inventories	40,496	31,917
Trade and bills receivables	2,217,837	1,711,438
Prepayments, other receivables and other assets	509,465	987,685
Amounts due from contract customers	–	1,335,208
Contract assets	1,671,610	–
Pledged deposits	7,406	7,720
Cash and bank balances	2,480,265	2,131,410
Total current assets	6,932,231	6,210,541
CURRENT LIABILITIES		
Trade payables	1,996,490	1,935,154
Amounts due to contract customers	–	1,227,316
Other payables and accruals	3,559,523	1,743,413
Provisions for supplementary retirement benefits	3,000	2,990
Tax payable	4,357	28,188
Provision	24,679	–
Total current liabilities	5,588,049	4,937,061
NET CURRENT ASSETS	1,344,182	1,273,480
TOTAL ASSETS LESS CURRENT LIABILITIES	4,023,923	3,631,182

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

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT LIABILITIES		
Provisions for supplementary retirement benefits	50,454	45,154
Other payables and accruals	20,300	36,084
Provision	13,000	–
Total non-current liabilities	83,754	81,238
Net assets	3,940,169	3,549,944
EQUITY		
Share capital	1,348,670	1,348,670
Reserves (note)	2,591,499	2,201,274
Total equity	3,940,169	3,549,944

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

Note:

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

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	553,619	159,384	–	1,069,910	1,782,913
Profit for the year	–	–	–	364,047	364,047
Other comprehensive loss	(3,608)	–	–	–	(3,608)
Total comprehensive income/ (loss) for the year	(3,608)	–	–	364,047	360,439
Final 2016 dividend declared	–	–	–	(126,758)	(126,758)
Appropriation to statutory surplus reserve	–	36,408	–	(36,408)	–
Employee stock ownership scheme	184,680	–	–	–	184,680
Transfer to special reserve	–	–	43,358	(43,358)	–
Utilisation of special reserve	–	–	(43,358)	43,358	–
As at 31 December 2017	734,691	195,792	–	1,270,791	2,201,274
Effect of adoption of IFRS 9, net of tax	(1,252)	–	–	(16,276)	(17,528)
As at 1 January 2018 (restated)	733,439	195,792	–	1,254,515	2,183,746
Profit for the year	–	–	–	547,651	547,651
Other comprehensive loss	(5,840)	–	–	–	(5,840)
Total comprehensive Income/ (loss) for the year	(5,840)	–	–	547,651	541,811
Final 2017 dividend declared	–	–	–	(134,058)	(134,058)
Appropriation to statutory surplus reserve	–	53,587	–	(53,587)	–
Transfer to special reserve	–	–	30,508	(30,508)	–
Utilisation of special reserve	–	–	(30,508)	30,508	–
At 31 December 2018	727,599	249,379	–	1,614,521	2,591,499

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 29 March 2019.