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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Beijing Urban Construction Design & Development Group Co., Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 ("**2019**" or the "**Reporting Period**") in conjunction with the comparative financial data of the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**8,414,039**	7,186,146
Cost of sales	6	**(6,734,842)**	(5,762,345)
Gross profit		**1,679,197**	1,423,801
Other income and gains	4	**382,919**	348,188
Selling and distribution expenses		**(73,149)**	(90,395)
Administrative expenses		**(827,541)**	(710,714)
Impairment losses on financial and contract assets, net		**(175,636)**	(85,123)
Other expenses		**(1,744)**	(103)
Finance costs	5	**(232,058)**	(189,931)
Share of profits and losses of:			
Joint ventures		**14,700**	(13,594)
Associates		**3,232**	4,803
PROFIT BEFORE TAX	6	**769,920**	686,932
Income tax expense	7	**(104,344)**	(133,126)
PROFIT FOR THE YEAR		**665,576**	553,806
Profit attributable to:			
Owners of the parent		**658,085**	562,382
Non-controlling interests		**7,491**	(8,576)
		665,576	553,806

	Notes	**2019** *RMB'000*	2018 *RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**(147)**	(222)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**5,738**	–
Re-measurement loss on defined benefit plans, net of tax		**(620)**	(7,190)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**5,118**	(7,190)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**4,971**	(7,412)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**670,547**	546,394
Attributable to:			
Owners of the parent		**663,056**	554,970
Non-controlling interests		**7,491**	(8,576)
		670,547	546,394
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	9	**0.49**	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**642,892**	498,519
Prepaid land lease payments		**–**	221,170
Right-of-use assets		**476,073**	–
Intangible assets		**102,215**	7,074
Investments in joint ventures		**1,066,393**	103,130
Investments in associates		**75,642**	98,679
Financial assets at fair value through profit or loss		**134,640**	–
Equity investments designated at fair value through other comprehensive income		**17,452**	8,650
Deferred tax assets		**181,725**	128,537
Financial receivables		**2,692,290**	2,897,230
Contract assets		**2,159,424**	1,478,469
Prepayments, other receivables and other assets		**237,172**	354,051
Total non-current assets		**7,785,918**	5,795,509
CURRENT ASSETS			
Prepaid land lease payments		**–**	5,152
Inventories		**116,223**	99,947
Trade and bills receivables	10	**4,768,740**	3,254,521
Prepayments, other receivables and other assets		**1,010,712**	712,563
Contract assets		**2,370,703**	2,311,571
Financial receivables		**498,737**	309,235
Pledged deposits	11	**22,879**	21,214
Cash and bank balances	11	**3,884,935**	3,892,576
Total current assets		**12,672,929**	10,606,779
CURRENT LIABILITIES			
Trade and bills payables	12	**3,988,972**	2,849,156
Other payables and accruals		**5,734,357**	3,892,892
Interest-bearing bank and other borrowings		**576,354**	508,400
Provisions for supplementary retirement benefits		**3,750**	3,690
Tax payable		**22,884**	38,646
Provision		**4,812**	27,121
Total current liabilities		**10,331,129**	7,319,905
NET CURRENT ASSETS		**2,341,800**	3,286,874
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,127,718**	9,082,383

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,294**	4,038
Interest-bearing bank and other borrowings		**4,578,869**	4,098,225
Provisions for supplementary retirement benefits		**67,055**	65,836
Other payables and accruals		**320,746**	292,131
Provision		**51,869**	39,048
Total non-current liabilities		**5,030,833**	4,499,278
Net assets		**5,096,885**	4,583,105
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**1,348,670**	1,348,670
Reserves		**3,483,614**	2,969,181
		4,832,284	4,317,851
Non-controlling interests		**264,601**	265,254
Total equity		**5,096,885**	4,583,105

Wang Hanjun
Director

Li Guoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income 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 2018 and 1 January 2019	1,348,670	735,116	–	–	249,379	5	1,984,681	4,317,851	265,254	4,583,105
Profit for the year	–	–	–	–	–	–	658,085	658,085	7,491	665,576
Other comprehensive income/(loss) for the year:										
Re-measurement loss on defined benefit plans, net of tax	–	(620)	–	–	–	–	–	(620)	–	(620)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	5,738	–	–	–	–	5,738	–	5,738
Exchange differences on translation of foreign operations	–	–	–	–	–	(147)	–	(147)	–	(147)
Total comprehensive income/(loss) for the year	–	(620)	5,738	–	–	(147)	658,085	663,056	7,491	670,547
Final 2018 dividend declared	–	–	–	–	–	–	(148,623)	(148,623)	–	(148,623)
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	(8,144)	(8,144)
Appropriation to statutory surplus reserve	–	–	–	–	65,612	–	(65,612)	–	–	–
Transfer to special reserve *(note (i))*	–	–	–	91,275	–	–	(91,275)	–	–	–
Utilisation of special reserve *(note (i))*	–	–	–	(91,275)	–	–	91,275	–	–	–
At 31 December 2019	1,348,670	734,496*	5,738*	–*	314,991*	(142)*	2,428,531*	4,832,284	264,601	5,096,885

	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 and 1 January 2018	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	–	(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 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

* The reserve accounts comprise the consolidated reserves of RMB3,483,614,000 (31 December 2018: RMB2,969,181,000) in the consolidated statement of financial position as at 31 December 2019.

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 2018 and 2019 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 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**769,920**	686,932
Adjustments for:			
Finance costs	5	**232,058**	189,931
Foreign exchange differences, net	6	**(7,773)**	(9,671)
Interest income	4	**(343,134)**	(327,798)
Share of (profits) and losses of associates and joint ventures		**(17,932)**	8,791
Gains on disposal of financial assets at fair value through profit or loss	6	**(2,198)**	(4,933)
Depreciation of right-of-use assets	6	**97,127**	–
Depreciation of items of property, plant and equipment	6	**74,394**	82,292
Amortisation of intangible assets	6	**2,715**	2,906
Amortisation of prepaid land lease payments	6	**–**	5,151
Impairment of trade and bills receivables, net	6	**126,053**	106,305
(Reversal of impairment)/impairment of financial receivables, net	6	**(18)**	570
Impairment of other receivables, net	6	**6,103**	1,459
Impairment/(reversal of impairment) of contract assets, net	6	**43,498**	(23,211)
(Reversal of provision)/provision for foreseeable losses on contracts, net		**(3,492)**	13,225
Loss on disposal of items of property, plant and equipment, net	6	**2**	103
		977,323	732,052
Increase in inventories		**(16,276)**	(20,331)
Increase in contract assets		**(783,585)**	(3,779,145)
Changes in amounts due from/to contract customers		**–**	410,318
Increase in trade and bills receivables		**(1,640,272)**	(950,704)
(Increase)/decrease in prepayments, other receivables and other assets		**(3,213)**	472,625
Decrease in financial receivables		**171,283**	640,947
Increase in trade and bills payables		**955,577**	167,830
Increase in other payables and accruals		**1,898,346**	1,645,185
(Decrease)/increase in provision		**(5,996)**	44,319
Increase in provisions for supplementary retirement benefits		**599**	156
Cash flows from/(used in) operations		**1,553,786**	(636,748)
Interest received		**33,736**	95,578
Income tax paid		**(166,952)**	(169,444)
Net cash flows from/(used in) operating activities		**1,420,570**	(710,614)

	Notes	**2019** *RMB'000*	2018 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(168,052)**	(119,154)
Purchases of intangible assets		**(103,904)**	(3,795)
Purchases of financial assets at fair value through profit or loss		**(249,640)**	(445,000)
Addition of investments in associates and joint ventures		**(953,214)**	(78,280)
Addition of equity investments designated at fair value through other comprehensive income		**(1,151)**	–
Proceeds from disposal of items of property, plant and equipment		**1,126**	921
Proceeds from disposal of financial assets at fair value through profit or loss		**117,198**	461,186
Dividends received from associates and joint ventures		**1,109**	637
Withdrawal of borrowings to a joint venture and an associate		**99,907**	409,954
Acquisition of subsidiaries, net of cash acquired		**–**	1,297
Increase in non-pledged time deposits with original maturity of more than three months		**(1,000)**	–
Increase in pledged deposits		**(1,666)**	(37)
Net cash flows (used in)/from investing activities		**(1,259,287)**	227,729
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(233,157)**	(186,206)
Dividend paid to shareholders		**(145,719)**	(134,058)
Dividend paid to non-controlling shareholders		**(9,445)**	(9,804)
Principal portion of lease payments		**(91,884)**	–
Capital contribution from non-controlling shareholders		**–**	15,000
New bank and other borrowings		**673,958**	1,459,193
Repayment of bank and other borrowings		**(368,400)**	(160,000)
Net cash flows (used in)/from financing activities		**(174,647)**	984,125
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,364)**	501,240
Cash and cash equivalents at beginning of year		**3,892,376**	3,381,687
Effect of exchange rate changes on cash and cash equivalents		**4,723**	9,449
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**3,883,735**	3,892,376

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

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

Information about subsidiaries

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

Company name*	*Notes*	Place and date of registration and place of business	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. ("北京城建勘測設計研究院有限責任公司")		The PRC/ Mainland China 3 May 1992	RMB30,000,000	100%	–	Surveying, designing and engineering exploration
Beijing Huan'an Engineering Inspection Co., Ltd. ("北京環安工程檢測有限責任公司")		The PRC/ Mainland China 18 June 2008	RMB12,000,000	100%	–	Engineering consulting, monitoring and testing
China Metro Engineering Consulting Co., Ltd. ("中國地鐵工程諮詢有限責任公司")		The PRC/ Mainland China 27 October 2006	RMB13,340,000	56.22%	–	Rail transit engineering consulting
Beijing Urban Construction Xingjie Commercial Operation Management Co., Ltd. ("北京城建興捷商業運營管理有限公司")	*(i)*	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	RMB5,000,000	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
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
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

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
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
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")		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")		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")	*(ii)*	The PRC/ Mainland China 19 September 2018	RMB50,000,000	90%	–	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")		The PRC/ Mainland China 22 November 2018	RMB10,000,000	100%	–	Construction contracting

* 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) Beijing Urban Construction Xingjie Property Management Co., Ltd. is renamed to Beijing Urban Construction Xingjie Commercial Operation Management Co., Ltd. on 10 September 2019.

(ii) On 30 October 2019, the Company acquired an additional 1% equity of Jiangsu Jingjian Capital Construction Investment Co., Ltd. from its subsidiary, so the Company directly owned 90% of equity interest of Jiangsu Jingjian Capital Construction Investment Co., Ltd..

All the subsidiaries are limited liability companies.

The above table lists the subsidiaries of the company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements* to *IFRSs 2015-2017 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) IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. IFRS16 did not have any significant impact on lease where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were 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 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	389,585
Decrease in prepayments, other receivables and other assets	(36,542)
Decrease in prepaid land lease payments	(226,322)
Increase in total assets	126,721
Liabilities	
Increase in interest-bearing bank and other borrowings	126,721
Increase in total liabilities	126,721

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	187,467
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(22,291)
	165,176
Weighted average incremental borrowing rate as at 1 January 2019	4.78%
Discounted operating lease commitments as at 1 January 2019	126,721
Lease liabilities as at 1 January 2019	126,721

(b) 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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC Interpretation 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about 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 as these assets are managed on a group basis.

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

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

Year ended 31 December 2019

	Design, survey and consultancy *RMB'000*	Construction contracting *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*				
Sales to external customers	**3,662,649**	**4,751,390**	**–**	**8,414,039**
Intersegment sales	**7,794**	**–**	**(7,794)**	**–**
Total revenue	**3,670,443**	**4,751,390**	**(7,794)**	**8,414,039**
Segment results	**533,971**	**123,759**	**(1,084)**	**656,646**
Interest income	**2,149**	**326,121**	**–**	**328,270**
Finance costs	**(10,922)**	**(221,136)**	**–**	**(232,058)**
Gains on disposal of financial assets at fair value through profit or loss	**2,198**	**–**	**–**	**2,198**
Profit of segments for the year	**527,396**	**228,744**	**(1,084)**	**755,056**
Income tax expense				**(104,344)**
Unallocated interest income				**14,864**
Profit for the year				**665,576**
Segment assets	**8,184,031**	**11,598,418**	**(1,299,711)**	**18,482,738**
Corporate and other unallocated assets				**1,976,109**
Total assets				**20,458,847**
Segment liabilities	**6,574,263**	**10,010,018**	**(1,257,497)**	**15,326,784**
Corporate and other unallocated liabilities				**35,178**
Total liabilities				**15,361,962**
Other segment information				
Share of profits and losses of:				
Joint ventures	**14,700**	**–**	**–**	**14,700**
Associates	**3,232**	**–**	**–**	**3,232**
Depreciation	**123,826**	**52,847**	**–**	**176,673**
Amortisation	**2,715**	**–**	**–**	**2,715**
Provision for/(reversal of provision)				
– foreseeable losses on contracts	**1,155**	**(4,647)**	**–**	**(3,492)**
– impairment of trade receivables, financial receivables, other receivables, contract assets, net	**116,398**	**59,238**	**–**	**175,636**
Investments in joint ventures	**1,066,393**	**–**	**–**	**1,066,393**
Investments in associates	**75,642**	**–**	**–**	**75,642**
Capital expenditure*	**341,537**	**172,884**	**–**	**514,421**

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

Year ended 31 December 2018

	Design, survey and consultancy *RMB'000*	Construction contracting *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*				
Sales to external customers	3,514,181	3,671,965	–	7,186,146
Intersegment sales	65,118	–	(65,118)	–
Total revenue	3,579,299	3,671,965	(65,118)	7,186,146
Segment results	471,827	48,532	23,773	544,132
Interest income	8,141	307,476	–	315,617
Finance costs	–	(189,931)	–	(189,931)
Gains on disposal of financial assets at fair value through profit or loss	2,651	2,282	–	4,933
Profit of segments for the year	482,619	168,359	23,773	674,751
Income tax expense				(133,126)
Unallocated interest income				12,181
Profit for the year				553,806
Segment assets	5,565,976	9,362,709	(169,312)	14,759,373
Corporate and other unallocated assets				1,642,915
Total assets				16,402,288
Segment liabilities	4,866,889	7,179,469	(269,859)	11,776,499
Corporate and other unallocated liabilities				42,684
Total liabilities				11,819,183
Other segment information				
Share of profits and losses of:				
Joint ventures	(13,594)	–	–	(13,594)
Associates	4,803	–	–	4,803
Depreciation	34,001	48,291	–	82,292
Amortisation	8,057	–	–	8,057
Provision for				
– foreseeable losses on contracts	10,524	2,701	–	13,225
– impairment of 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

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
China	**8,376,687**	7,149,706
Other countries	**37,352**	36,440
	8,414,039	7,186,146

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

(b) Non-current assets

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
China	**4,737,222**	2,407,041

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

Information about major customers

During the year ended 31 December 2019, there were two customers of the Group from which the revenue individually accounted for over 10% of the Group's total revenue.

During the year ended 31 December 2018, there was one customer of the Group from which the revenue accounted for over 10% of the Group's total revenue.

Year ended 31 December 2019

	Design, survey and consultancy	**Construction contracting**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Customer A	**214,032**	**893,618**	**1,107,650**
Customer B	**–**	**1,104,463**	**1,104,463**
	214,032	**1,998,081**	**2,212,113**

Year ended 31 December 2018

	Design, survey and consultancy	Construction contracting	Total
	RMB'000	*RMB'000*	*RMB'000*
Customer A	206,721	960,868	1,167,589

4. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**8,410,660**	7,173,271
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**943**	12,585
Other lease payments, including fixed payments	**2,436**	290
	3,379	12,875
	8,414,039	7,186,146

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Type of goods or services		
Design, survey and consultancy	**3,660,213**	3,513,891
Construction contracting	**4,750,447**	3,659,380
	8,410,660	7,173,271
Timing of revenue recognition		
Services transferred at a point in time	**214,644**	40,092
Services transferred over time	**8,196,016**	7,133,179
	8,410,660	7,173,271
Geographical markets		
China	**8,373,308**	7,136,831
Other countries	**37,352**	36,440
	8,410,660	7,173,271

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

For the year ended 31 December 2019

Segment	**Design, survey and consultancy** *RMB'000*	**Construction contracting** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers			
External customers	**3,660,213**	**4,750,447**	**8,410,660**
Intersegment sales	**7,794**	**–**	**7,794**
	3,668,007	**4,750,447**	**8,418,454**
Intersegment adjustments and eliminations	**(7,794)**	**–**	**(7,794)**
Total revenue from contracts with customers	**3,660,213**	**4,750,447**	**8,410,660**

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	3,513,891	3,659,380	7,173,271
Intersegment sales	65,118	–	65,118
	3,579,009	3,659,380	7,238,389
Intersegment adjustments and eliminations	(65,118)	–	(65,118)
Total revenue from contracts with customers	3,513,891	3,659,380	7,173,271

(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	
	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**343,134**	327,798
Gains on disposal of financial assets at fair value through profit or loss	**2,198**	4,933
Government grants	**12,942**	2,574
Foreign exchange gains	**7,773**	9,671
Additional tax deduction for input VAT	**14,697**	–
Others	**2,175**	3,212
	382,919	348,188

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**222,582**	189,931
Interest on lease liabilities	**9,476**	–
	232,058	189,931

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cost of design, survey and consultancy services		**2,501,772**	2,432,770
Cost of construction contracts		**4,233,070**	3,329,575
Total cost of sales		**6,734,842**	5,762,345
Depreciation of property, plant and equipment	(a)	**74,394**	82,292
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	(a)	**97,127**	5,151
Amortisation of intangible assets		**2,715**	2,906
Total depreciation and amortisation		**174,236**	90,349
Impairment of trade and bills receivables, net	10	**126,053**	106,305
(Reversal of impairment)/impairment of financial receivables, net		**(18)**	570
Impairment of other receivables, net		**6,103**	1,459
Impairment/(reversal of impairment) of contract assets, net		**43,498**	(23,211)
Lease payments not included in the measurement of lease liabilities	(b)	**112,381**	–
Lease expenses under operating leases	(c)	**–**	176,236
Auditor's remuneration		**5,558**	3,380
Employee benefit expenses (excluding Directors' and supervisors' remuneration):	(d)		
Wages, salaries and allowances		**1,416,345**	1,292,072
Retirement benefit costs			
– Defined contribution retirement schemes		**155,220**	141,497
– Defined benefit retirement schemes		**3,780**	3,670
Total retirement benefit costs		**159,000**	145,167
Welfare and other expenses		**235,250**	229,051
Total employee benefit expenses		**1,810,595**	1,666,290
Interest income	4	**(343,134)**	(327,798)
Government grants	4	**(12,942)**	(2,574)
Gains on disposal of financial assets at fair value through profit or loss	4	**(2,198)**	(4,933)
Loss on disposal of items of property, plant and equipment, net		**2**	103
Foreign exchange differences, net	4	**(7,773)**	(9,671)

Notes:

(a) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB97,205,000 (2018: RMB23,699,000) was included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(b) Lease payments not included in the measurement of lease liabilities of approximately RMB84,881,000 were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(c) Lease expenses under operating leases of approximately RMB146,322,000 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.

(d) Employee benefit expenses of approximately RMB1,223,205,000 (2018: RMB1,275,348,000) were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

7. INCOME TAX

The Company and certain subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2019 and 2018 in accordance with the PRC Corporate Income Tax Law. A subsidiary of the Group has been identified as "software enterprises" and was entitled to a preferential income tax at a rate of 12.5% for the years ended 31 December 2019 and 2018. 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 2019 and 2018.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax – Mainland China	**151,188**	150,055
Deferred income tax	**(46,844)**	(16,929)
Tax charge for the year	**104,344**	133,126

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 2019 and 2018 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**769,920**	686,932
Income tax at the statutory income tax rate	**192,480**	171,733
Effect of different income tax rate for some entities	**(73,025)**	(57,276)
Tax effect of share of profits and losses of joint ventures and associates	**(4,483)**	2,198
Additional tax deduction for research and development expenditure	**(18,254)**	(12,599)
Expenses not deductible for tax purposes	**3,298**	5,871
Adjustments in respect of current tax of previous periods	**(1,516)**	(2,695)
Tax losses not recognised	**5,844**	25,894
Tax charge for the year at the effective rate	**104,344**	133,126

8. DIVIDENDS

The dividends during the years ended 31 December 2019 and 2018 are set out below:

	Notes	Year ended 31 December **2019** ***RMB'000***	2018 *RMB'000*
Declared:			
Final dividend – RMB0.1102 (2017: RMB0.0994) per ordinary share	(i)	**148,623**	134,058
Proposed:			
Final dividend – Nil (2018: RMB0.1102) per ordinary share	(ii)	**–**	148,623

Notes:

(i) At the annual general meeting held on 29 May 2019, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2018 of RMB0.1102 per share which amounted to RMB148,623,000 and was settled in July 2019.

(ii) Pursuant to Rule 18 of "Measures for the Administration of Securities Issuance and Underwriting" of China Securities Regulatory Commission ("CSRC") and related regulatory Q&A requirements, the Company could only issue securities domestically after the profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or yet to be implemented though being approved by the general meeting, have been implemented. To ensure the Company's issuance and listing of A Share related works are steadily pushing ahead whereas the Company's A Share prospectus has been pre-disclosed on the CSRC website, the directors of the Company recommended that no final dividend in respect of the year ended 31 December 2019 will be declared on 25 March 2020.

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

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

	Year ended 31 December **2019** ***RMB'000***	2018 *RMB'000*
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**658,085**	562,382

	Year ended 31 December **2019** ***'000***	2018 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**1,348,670**	1,348,670

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

10. TRADE AND BILLS RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**5,270,990**	3,584,568
Bills receivable	**49,761**	95,911
	5,320,751	3,680,479
Impairment	**(552,011)**	(425,958)
	4,768,740	3,254,521

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.

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 3 months	**1,510,021**	1,118,644
3 months to 6 months	**1,229,767**	368,025
6 months to 1 year	**503,646**	779,009
1 to 2 years	**851,680**	595,556
2 to 3 years	**451,019**	278,090
3 to 4 years	**180,594**	61,748
4 to 5 years	**37,497**	45,620
Over 5 years	**4,516**	7,829
	4,768,740	3,254,521

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

	Note	2019 *RMB'000*	2018 *RMB'000*
At beginning of the year		**425,958**	303,522
Effect of adoption of IFRS 9		**–**	15,843
At beginning of the year (restated)		**425,958**	319,365
Acquisition of a subsidiary		**–**	288
Impairment losses recognised	6	**130,161**	118,635
Impairment losses reversed	6	**(4,108)**	(12,330)
At end of the year		**552,011**	425,958

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. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2019

	Expected credit loss rate	**Gross carrying amount** ***RMB'000***	**Expected credit losses** ***RMB'000***
Individually impaired	**86.93%**	**59,641**	**51,847**
Collectively impaired			
Within 6 months	**0.52%**	**2,754,224**	**14,437**
6 months to 1 year	**4.03%**	**523,252**	**21,107**
1 to 2 years	**9.32%**	**949,426**	**88,523**
2 to 3 years	**16.51%**	**522,696**	**86,281**
3 to 4 years	**29.96%**	**255,013**	**76,406**
4 to 5 years	**49.99%**	**74,986**	**37,489**
5 to 6 years	**89.59%**	**53,699**	**48,107**
Over 6 years	**100.00%**	**127,814**	**127,814**
	9.51%	**5,261,110**	**500,164**
Total	**10.37%**	**5,320,751**	**552,011**

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	0.50%	1,468,563	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	49.85%	83,062	41,402
5 to 6 years	90.35%	61,673	55,721
Over 6 years	100.00%	70,623	70,623
	9.61%	3,576,339	343,568
Total	11.57%	3,680,479	425,958

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Cash and bank balances	**3,906,614**	3,913,590
Time deposits	**1,200**	200
	3,907,814	3,913,790
Less: Pledged bank balances for bidding guarantees and performance guarantees	**(22,879)**	(21,214)
Cash and bank balances in the consolidated statement of financial position	**3,884,935**	3,892,576
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(1,200)**	(200)
Cash and cash equivalents in the consolidated statement of cash flows	**3,883,735**	3,892,376
Cash and bank balances and time deposits denominated in:		
– RMB	**3,653,197**	3,663,252
– Other currencies	**254,617**	250,538
	3,907,814	3,913,790

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

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

12. TRADE AND BILLS PAYABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade payables	**3,912,654**	2,837,268
Bills payable	**76,318**	11,888
	3,988,972	2,849,156

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 6 months	**1,034,131**	1,311,692
6 months to 1 year	**1,464,399**	617,421
1 to 2 years	**888,624**	310,005
2 to 3 years	**216,594**	256,971
Over 3 years	**385,224**	353,067
	3,988,972	2,849,156

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

13. SHARE CAPITAL

Shares

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Registered, issued and fully paid:		
1,348,670,000 (2018: 1,348,670,000) ordinary shares	**1,348,670**	1,348,670

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2019, by focusing on the main line of development, fulfilling the concept of struggle and adhereing to the main line of high-quality development, the Company overcame difficulties with cohesion, and promoted the results of design-oriented and industrial synergy based on the overall working ideas of enhancing design consulting business, strengthening general construction contracting business and actively expanding new business, with the aim of striving to achieve a sustainable and high-quality development.

As of 31 December 2019, the Group's revenue amounted to RMB8,414 million, representing an increase of RMB1,228 million or 17.09% compared to RMB7,186 million for last year. The Group's net profit amounted to RMB666 million, representing an increase of RMB112 million or 20.22% compared to the net profit of RMB554 million for last year.

FINANCIAL REVIEW

Summary of Operating Results

	Year ended 31 December	
	2019	2018
	(RMB'000)	*(RMB'000)*
	Audited	Audited
Revenue	**8,414,039**	7,186,146
Cost of sales	**(6,734,842)**	(5,762,345)
Gross profit	**1,679,197**	1,423,801
Other income and gains	**382,919**	348,188
Selling and distribution expenses	**(73,149)**	(90,395)
Administrative expenses	**(827,541)**	(710,714)
Impairment losses on financial and contract assets, net	**(175,636)**	(85,123)
Other expenses	**(1,744)**	(103)
Finance costs	**(232,058)**	(189,931)
Share of profits/(losses) of joint ventures	**14,700**	(13,594)
Share of profits of associates	**3,232**	4,803
Profit before tax	**769,920**	686,932
Income tax expense	**(104,344)**	(133,126)
Profit for the year	**665,576**	553,806

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 2019, the Group achieved a revenue of RMB8,414 million, representing an increase of RMB1,228 million or 17.09% compared to RMB7,186 million for the corresponding period of last year. Such increase was mainly attributable to the steady increase in the Company's revenue driven by the Company's commitment to design and investment, and the increment created by promoting the layout of the whole industrial chain of urban rail transit and the resource synergy.

An analysis of revenue by segment is as follows:

	Year ended 31 December	
	2019	2018
	(RMB'000)	*(RMB'000)*
Products by industry	**Audited**	Audited
Design, survey and consultancy	**3,662,649**	3,514,181
Construction contracting	**4,751,390**	3,671,965
Total	**8,414,039**	7,186,146

Design, Survey and Consultancy Business Segment

The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal engineering. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2019, 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 dozens of domestic and overseas cities, and improved the influence of its urban construction brand. The Company won the bids and contracted for a total of 7 overall design projects in Hangzhou, Shenzhen, Chengdu, Chongqing, etc.

For the year ended 31 December 2019, revenue of the design, survey and consultancy segment of the Group amounted to RMB3,663 million, representing an increase of RMB149 million or 4.24% compared to RMB3,514 million for the corresponding period in 2018. Among which, the revenue of the urban rail transit construction segment amounted to RMB3,002 million, representing an increase of RMB154 million or 5.41% compared to RMB2,848 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal engineering segment amounted to RMB661 million, representing a decrease of RMB5 million or 0.75% compared to RMB666 million for the corresponding period of last year.

Construction Contracting Business Segment

The construction contracting business 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, Guangzhou, Urumqi, Zhengzhou and Huangshan.

For the year ended 31 December 2019, the Group's revenue from the construction contracting business segment was RMB4,751 million, representing an increase of RMB1,079 million or 29.38% compared to RMB3,672 million for the corresponding period of last year. Such increase was mainly attributable to the increase of the commencement construction volume of the Company's projects under construction in Beijing, Kunming and other cities as compared to the corresponding period of last year.

Cost of Sales

For the year ended 31 December 2019, the cost of sales incurred by the Group was RMB6,735 million, representing an increase of RMB973 million or 16.89%, while an increase of 17.09% in revenue, compared to RMB5,762 million for the corresponding period of last year. Such increase was mainly attributable to the Company's persistent efforts in enhancing cost control.

For the year ended 31 December 2019, cost of sales of the Group's design, survey and consultancy segment increased to RMB2,502 million for the year from RMB2,433 million for the corresponding period of last year, representing an increase of 2.84%. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB1,998 million for the year from RMB1,912 million for the corresponding period of last year, representing an increase of 4.50%. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment decreased to RMB504 million for the year from RMB521 million for the corresponding period of last year, representing a decrease of 3.26%.

For the year ended 31 December 2019, the cost of sales of the Group's construction contracting segment increased to RMB4,233 million for the year from RMB3,329 million for the corresponding period of last year, representing an increase of 27.16%, lower than the increase of 29.38% in revenue.

Gross Profit and Gross Margin

For the year ended 31 December 2019, the gross profit of the Group was RMB1,679 million, representing an increase of RMB255 million or 17.91% compared to RMB1,424 million for the corresponding period of last year, while the consolidated gross margin of 19.95% was basically flat to that of 19.82% in last year.

The gross profit of design, survey and consultancy segment increased to RMB1,161 million for the current year from RMB1,081 million for the corresponding period of last year, representing an increase of RMB80 million or 7.40%. The gross margin was 31.70%, which was basically flat to that of the corresponding period of last year. The gross profit of the construction contracting segment increased from RMB343 million for the corresponding period of last year to RMB518 million for the current year, representing an increase of RMB175 million or 51.02%. The gross margin increased from 9.34% for the corresponding period of last year to 10.90% for the current year, which was mainly attributable to the increased proportion of the revenue generating from PPP engineering projects with higher gross margin in construction segment as compared to corresponding period of last year.

Other Income and Gains

For the year ended 31 December 2019, other income and gains of the Group were RMB382.92 million, representing an increase of RMB34.73 million or 9.97% compared to RMB348.19 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 2019, selling and distribution expenses of the Group were RMB73.15 million, representing a decrease of RMB17.25 million or 19.08% compared to RMB90.40 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 the reduction in the number of tendering projects in rail transit market.

Administrative Expenses

For the year ended 31 December 2019, administrative expenses of the Group were RMB827.54 million, representing an increase of RMB116.83 million or 16.44% compared to RMB710.71 million for the corresponding period of last year, slightly lower than the increase in revenue. Such increase was mainly attributable to the increase in research and development expenditures of RMB59 million due to the Company's further increase in research and development expenditures in 2019, and the increase in management expense of RMB42 million due to the increase of branches for expansion of business.

Impairment Losses on Financial and Contract Assets

For the year ended 31 December 2019, the credit-impaired losses on financial assets of the Group amounted to RMB175.64 million, representing an increase of RMB90.52 million or 106.34% as compared to RMB85.12 million for the corresponding period of last year, mainly due to the increase in receivables and impairment losses on contract assets.

Other Expenses

For the year ended 31 December 2019, other expenses of the Group were RMB1.74 million, representing an increase of RMB1.64 million compared to RMB0.10 million for the corresponding period of last year. Such increase was mainly attributable to the increase in losses on disposal of non-current assets resulting from scrapping of machinery and equipment.

Finance Costs

For the year ended 31 December 2019, finance costs of the Group were RMB232.06 million, representing an increase of RMB42.13 million or 22.18% compared to RMB189.93 million for the corresponding period of last year, which was mainly attributable to the accrual of interest expenses on lease liabilities according to IFRS 16 "Leases" and the increase in interest expenses due to the long-term borrowings of Anhui Jingjian Capital Construction Investment Co., Ltd. (安徽京建投資建設有限公司), Guizhou Jingjian Capital Construction Investment Co., Ltd. (貴州京建投資建設有限公司), Yunnan Jingjian Capital Construction Investment Co., Ltd. (雲南京建投資建設有限公司) and Huangshan Jingjian Capital Construction Investment Co., Ltd. (黃山京建投資建設有限公司), the subsidiaries of the Group.

Income Tax Expenses

For the year ended 31 December 2019, the income tax expenses of the Group were RMB104.34 million, representing a decrease of RMB28.79 million or 21.63% as compared to RMB133.13 million for the corresponding period of last year. Such decrease was mainly attributable to the decrease in unrecognized deductible losses.

Profit for the Year

For the year ended 31 December 2019, the profit of the Group for the year was RMB666 million, representing an increase of RMB112 million or 20.22% compared to RMB554 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	
	2019	2018
	(RMB'000)	*(RMB'000)*
Net cash inflows/(outflows) from operating activities	**1,420,570**	(710,614)
Net cash (outflows)/inflows from investing activities	**(1,259,287)**	227,729
Net cash (outflows)/inflows from financing activities	**(174,647)**	984,125
Net (decrease)/increase in cash and cash equivalents	**(13,364)**	501,240

The net cash inflows from operating activities in 2019 was RMB1,421 million, which was mainly attributable to the fact that the expenditure incurred from the later period of construction for PPP projects under construction decreased, the availability service fee of PPP projects under operation was recovered on schedule, and the collection efforts were also increased in 2019. The net cash outflows from investing activities was RMB1,259 million, which was mainly attributable to the increased investment of RMB1,088 million to joint ventures, associates and financial assets and an expenditure of RMB272 million for acquisition of fixed assets and intangible assets. The net cash outflows from financing activities was RMB175 million, which was mainly due to the receipt of long-term bank borrowings of RMB674 million for PPP projects of Guizhou Jingjian Capital Construction Investment Co., Ltd. and Huangshan Jingjian Capital Construction Investment Co., Ltd., the repayment of borrowings and interest expenses of approximately RMB602 million and the payment of dividends to shareholders of approximately RMB155 million for the year.

PLEDGE OF ASSETS

For the year ended 31 December 2019, the receivables and intangible assets of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 31 December 2019, the net pledged receivables and intangible assets were RMB5,591 million (as at 31 December 2018: RMB5,037 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2019, no letter of guarantee for associates' performance for projects undertaking was made and no outstanding balance of such guarantees was held by the Group.

CAPITAL COMMITMENT

The capital commitment of the Group as at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019 *(RMB'000)* **(Audited)**	31 December 2018 *(RMB'000)* (Audited)
Contracted, but not published:		
Property, plant and equipment	**221,665**	188,308
Equity investments	**3,657,648**	3,683,390

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 2019, the net current asset of the Group was RMB2,342 million, among which cash and cash equivalents amounted to RMB3,884 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 2019, the Group's interest-bearing borrowings were RMB4,922 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 31 December 2019 divided by the total equity as at 31 December 2019) was 96.57%.

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 31 December 2019 and 31 December 2018. The Group generally settles the borrowings on time.

	31 December 2019 *(RMB'000)* **(Audited)**	31 December 2018 *(RMB'000)* (Audited)
Bank borrowings		
Pledged	**4,225,173**	3,894,225
Non-pledged	**118,958**	4,000
Other borrowings		
Non-pledged	**578,000**	708,400
	4,922,131	4,606,625

As at 31 December 2019, the Group's borrowings are all denominated in RMB, and bear interest at 3.98% to 6.525%.

The table below sets forth the maturity of the Group's debts as at 31 December 2019 and 31 December 2018:

	31 December 2019 *(RMB'000)* **(Audited)**	31 December 2018 *(RMB'000)* (Audited)
Within one year	**491,654**	508,400
Between one to two years	**478,000**	358,000
Between two to three years	**458,000**	358,000
Between three to four years	**478,000**	578,000
Between four to five years	**474,000**	358,000
Over five years	**2,542,477**	2,446,225
Total	**4,922,131**	4,606,625

EVENTS AFTER THE BALANCE SHEET DATE

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

EMPLOYEES

As of 31 December 2019, the Group had approximately 4,282 employees, an increase of 1.28% as compared to mid-2019. Among them, approximately 63.4% are employees at headquarters and 36.6% are employees at subsidiaries. More than 53.8% of employees have served the Company for more than 5 years. The Company has 1 academician of the Chinese Academy of Engineering, 1 master of survey and design, 7 experts enjoying government subsidies. Middle and senior professional and technical personnel accounted for 60.7% of the total employees, and college graduates and above accounted for 90.4% of the total employees. In 2019, in order to select high-quality talents, the Company carried out professional academic exchange activities with a number of key universities such as Southeast University and Tongji University, and held onsite recruitment activities in such universities to recruit outstanding graduates. Meanwhile, the Company also committed to fully exploring the internal staffing potential through adopting the selection mechanism of "select personnel inside first, then outside" to address our demand for talents from social recruitment.

In each year, the Company selects and rewards the employees who make remarkable annual achievements and outstanding performance. In 2019, the Company forged ahead in the fierce market competition. Fruitful results have been achieved in various works of the Company and a series of inspiring major breakthroughs have been 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 2020, the Company selected 10 employees with outstanding performance and awarded them the 2019 President Incentive Bonus (院長獎勵基金), and selected 83 employees acting as role models and awarded them the 2019 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 technical ability, project management, marketing management, management ability and general skills. 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 2019, guided by the talent training goals of the top-down strategy and the bottom-up performance, the Company's corporate university continued to attach importance to the development of management system, curriculum system and teacher system, key level training, and management platform optimization. In 2019, relying on the online management platform to uniformly manage the training of each unit of the Group and the Company, more than 1,000 trainings have been organized and completed; based on job qualifications and competence, company-level and professional-level corporate university curriculum systems have been established to determine the required training courses for employees in different positions; the Company strengthened key-level training, carried out a series of expert lectures, high-end training in international project management, and special training of "outstanding talents", and continued to consolidate the management training of young and middle-aged professionals and the training of new employees; the Company organized the first formal appointment of internal lecturers to complete a one-year training arrangement and hired more than 300 internal lecturers in the next year; the Company optimized and upgraded the training management platform to achieve multi-terminal login and resource sharing. In 2019, the Company's corporate university was recognized and funded by the "Talent Collective Project" of the Organization Department of the Beijing Municipal Party Committee.

RETIREMENT POLICY

To implement the spirit of "Implementation Plan on Divestiture of Social Obligations and Settlement of Historical Issues of State-Owned Enterprises of Beijing" (Jing Zheng Fa [2017] No.7) (《北京市剝離國有企業辦社會職能和解決歷史遺留問題實施方案》(京政發[2017]7號)) and "Measures for Handing over the Management of Retirees of Beijing Municipal State-Owned Enterprises to Local Social Security Bureau " (Jing Ren She Fu Fa [2017] No.201) (《北京市市屬國有企業退休人員移交屬地社保所管理工作辦法》(京人社服發[2017]201號)), the retirees of Beijing Urban Construction Design & Development Group Co., Limited who had completed retirement procedure had been handed over to their local social security bureau for social management purpose before the end of October 2019.

BID WINNING

In the context of changing domestic policies on the development of urban rail transit in 2019, the Company realized an aggregate winning bid amount of RMB11.705 billion as of 31 December 2019 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 RMB4.536 billion and RMB7.169 billion from design, survey and consultancy business and construction contracting business, respectively. As of the end of the Reporting Period, contract value on hand amounted to RMB34.643 billion.

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

The Company's rail transit design continued to rank No.1 within the industry. The Company signed the contracts for 7 general contracting projects, including north extension of Hangzhou Line 3, Branch Line for Beijing Winter Olympics, south extension of Shenzhen Line 16, phase one of Chengdu Line 27, Tram Project in Bishan District, Chongqing, with a leading market share. Projects such as the reconstruction of Chongqing Line 2 and Beijing Line 13 opened up new markets for the expansion and reconstruction of existing lines; strong efforts has been made in the general contracting of underground space survey and design and the comprehensive design of TOD to drive the coordinated marketing of the design segment. The Company secured the general contracting of underground space survey and design of Changchun "Milky Way 1 Mile" and projects like Shaoxing North Station, Shijiazhuang CBD underground space and Jinan Railway Station. The Company consecutively obtained more than 50 various preliminary projects, laying a solid foundation for subsequent design projects. The scale of the survey business continuously enlarged. The marketing amount reached RMB1.4 billion, and the revenue from operations exceeded RMB1 billion. The market share continued to hold the number one position in the rail transit market, while the amount of newly signed contracts in markets outside Beijing has outpaced that in Beijing, and the performance of geotechnical business doubled in three years. Zero breakthrough was achieved in Tibet market. A large number of business orders on serving the Xiong'an New District, Daxing International Airport Economic Zone, Beijing Winter Olympics and other key national projects were obtained. We marched on the international market with our Urban Construction brand, and obtained orders on survey business in Cambodia, Bangladesh and Ethiopia. The marketing performance of project "convergence of military and civil sectors" reached RMB20 million, and intelligent project has been well developed. The design of municipal and civil facilities went well. Car depot and parking lot were powered and we obtained Beijing Ciqu, Dongba, Resort Village, Wangcheng and other projects. The integrated project of Heifei to Anqing high-speed railway helped made a breakthrough in conversion of subway into high-speed railway. Urbanization project in Gao'an was further promoted, with an aggregate amount of exceeding RMB100 million. The amount of contracts on municipal design amounted to RMB150 million. The water environment treatment market maintained strong growth, and we obtained orders for water environment treatment in Xiong'an New District, Beijing Longtan Lake, Huairou, Guangdong Zhongshan, etc. The EPC project of Zhenghe White Tea County was led by designers, which created a new way for operation. The impact within the industry has been continuously enhanced because design plans were shortlisted for China International Exhibition Center. Our innovative design covers four major fields: urban and rural planning, architectural interior design, new cultural and creative arts and operation consulting. We won the bid for the overall land plan of Hebei Shahe, which pioneered the land and space planning business. We focused on the urban renewal market, the reconstruction of headquarter of Beijing Publication and Distribution Group and laid a solid foundation for capturing the follow-up market. International design business model has been upgraded. We signed contracts about the integrated development of Miklin station of Moscow Subway. Combined the current conditions of international design business with goals for future development, we reorganized and established International Engineering Design Institute to further expand business in the international market, enhance our implementation ability and settle a new layout for the development of international design business.

General project contracting business is progressing steadily. The Company contracted 8 projects and won the contract segment 03 of Beijing Metro Line 11 for Winter Olympics project, which opened up a new market in terms of the operation and maintenance. The Company obtained maintenance project for Tramcar Line T2 in Wuhan Optics Valley, which pushed the general contracting business into a stable new stage.

The investment and financing business were promoted with high quality. The Tourism Railway project in the Huangshan Municipal Administrative Area was officially signed, and the ABO model was adopted, with a total investment amount of RMB12 billion. The coordinated development of the entire rail transit industry chain reached a new height. The implementation of the Shaoxing Line 1 PPP project marked the successful export of Beijing Model, Beijing Construction, Beijing Equipment and Beijing Operations.

The industrialized business has been upgraded energetically. After five years of exploration, we formulated four major product systems: smart control system, rail system, rail product and smart utility tunnel. The amount of newly signed contract exceeded RMB500 million, covering 16 cities across the country. We successfully signed the Taiyuan Line 2 leveraging our "Jinlongyun" system, with the market share ranking first in the national sub-segment market. The track series products entered the overseas market and obtained orders from the Bolivian market. The tramcar center was established and new orders for Foshan tram were obtained.

A new phase of operation management started. Mechanical and electrical equipment installation project, vehicle procurement, personnel recruitment and training of Kunming Line 4 meet the requirement of the overall schedule, and the first train arrived in Kunming as scheduled, setting a record for the fastest Kunming subway. The detailed implementation of resource development, advertising planning, and cultural and creative plans laid the foundation for opening operations in 2020. Two PPP projects including Outer Ring North Road of Anqing City and Dianzhong Airport Avenue promptly recovered the available service fees and operation and performance service fees according to the contracts while Zunyi Fengxin Express Line PPP project completed and marched into operation and maintenance period, actively driving the collection of receivables.

During the Reporting Period, the Company has made significant achievements in scientific research and innovation. Line 7 in Shenzhen won Zhantianyou Award in terms of designing; the key technology of rail transit automatic operation system and the research and application of shield construction control technology won the Beijing Science and Technology Progress Award; 40 scientific and technological innovation projects have been approved, 7 topics including the integration of urban rail transit network planning and master planning, and light rail transit design standards. We have obtained 35 patents and 42 software copyrights. The Company played a leading role and participated in formulating 16 standards. The Company also won 82 awards for excellence in survey and design. In addition, there are 5 projects awarded for construction quality, 11 projects awarded for quality management, and 2 projects aiming to promote the newly developed technology.

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.

ASSESSMENT ON THE IMPACT OF THE NOVEL CORONAVIRUS OUTBREAK

Since the outbreak of the novel coronavirus in China in January 2020, the Company has proactively responded to and acted strictly upon various provisions and requirements made by the Party and governments at all levels against the epidemic. While making efforts to control and prevent the epidemic and to ensure the production, the Company and its branches and subsidiaries have resumed work since 3 February to bring its production back to order.

It is expected that the outbreak and relevant prevention and control measures will create certain impact on the Company's production and operation for the first quarter even the first half of the year, which depends on the developments of the epidemic prevention and control, duration and the implementation of the prevention and control policies in different regions.

The Company will continue to closely monitor the developments of the outbreak, and evaluate and proactively address its impact on the financial condition and operating results of the Company.

COMPANY-WIDE MANAGEMENT MEASURES IN 2020

In 2020, the domestic economy will be under significant downward pressure, facing changes amid overall stability. The Company will make every effort to overcome the adverse effects of the COVID-19 outbreak. It will unswervingly stick to the core task of achieving high-quality and high-standard development. It will bring its development to a new height by further expanding design consulting, strengthening engineering general contracting, actively expanding new business, and making itself a propeller for new technology R&D and an incubator for transformation of R&D results.

The Company's specific management measures in 2020 include the following five areas:

1. Expanding design consultation to solidify the foundation for development

The Company will maintain its leading position in the rail transit design industry by conducting coordinated marketing, exploring new systems, vigorously developing new businesses such as city express, inter-city railway and trams, and actively expanding new markets; it will implement key projects in a high-quality and efficient manner, and ensure that "guaranteeing opening" projects can smoothly open to traffic; it will make full use of its comprehensive advantages of being a Class A designer to continue to extend design scope, to continue to improve civil construction and municipal design business, and to strengthen new products such as military-civilian integration, integrated development of vehicle depots, and water environment management; it will accelerate the pace of international business development, and create a new prospect for development of international markets; it will maintain its leading position in survey business, and promote the rapid growth of smart engineering, environmental engineering, structural testing, safety consulting and other services; it will promote all-field design, accelerate regional construction, implement unified and intensive operations, and improve competitiveness in regional markets and the ability to fulfill contracts; it will further advance the management of virtual legal persons, continuously improve the independent operation capability of accounting institutions, and further stimulate production vitality and market potential.

2. Strengthening engineering general contracting to enhance scale support

Key projects are being advanced in an orderly manner. The Company will keep on expanding key accounts, large regions, and large projects by giving full play to the advantages of integration of entire industrial chain; it will stick to contract performance marketing to improve profitability, and to keep existing market share and increase new market share; it will expand the proprietary technology-oriented EPC market, and actively track potential projects such as cross-rail transit projects, existing line renovation, rail laying, maintenance, disaster prevention and mitigation to promote its performance to a new level.

3. Focusing on business innovation to promote enterprise upgrades

Based on its advantages of integration of the entire urban rail transportation industry chain, the Company will focus on innovation and development strategies, accelerate the integration of technology and capital, promote the integration of resources and models, and constantly introduce new models, new products, new services, and new values; it will promote innovation in investment and financing business models, and focus on urban rail transit investment projects while giving consideration to transportation hubs, traditional municipal infrastructure and comprehensive pipeline corridor projects; it will promote the coordinated development of the entire industrial chain; it will promote the innovation of the technological industrialization system and strengthen the development of business models and sales channels. The Company will continue to conduct the research, development, upgrade and marketing of "Jinlongyun" systems, trams, and light rail vehicle systems. It will promote combined innovation in all-field operation and maintenance. It will adhere to self-reform and innovation, and build up its capacities across the whole industrial chain from rail transit to infrastructure, municipal roads, home ownership operations and cultural innovation, forming an all-field management and business operation and maintenance team.

4. **Comprehensively enhancing scientific and technological strength to build an innovation-driven engine**

Technology Research Institute enhances science and technology leadership: it will focus on innovation and development, and lead and combine the one room, one station, and six center resources to carry out four central tasks: science and technology innovation, technical service, results incubation, and talent training. It will make every effort to build an innovative R&D system. It will accelerate technological R&D and results transformation, and create a market-oriented enterprise technology innovation platform and results incubator and propeller.

Cloud platform construction enhances knowledge innovation: combined with the in-depth implementation of new three-year plan for BIM design and the collaborative design platform, it will build a future-oriented enterprise knowledge management system which can help improve the efficiency of core business operations and enhance traditional business service value.

Industry construction continues to increase its influence: it has been professionally operating academic conferences such as the China Urban Rail Transit Key Technology Forum, Beijing International Rail Transit Exhibition and Summit, and the Design Advisory Committee Annual Meeting, as well as the China Urban Rail Transit Network, making good use of industry resources to serve the steady development of main business and to continuously improve its influence in the industry.

5. **Comprehensively upgrading management methods to ensure leapfrog development**

The Company will step up efforts to advance the A-share IPO to expand corporate financing channels, and to use this as an opportunity to continuously improve internal control and management; it will prepare its 14th Five-Year Development Plan, improve the external investment management system, high-tech enterprise maintenance management system, as well as the organization evaluation system; it will strengthen long-term accounts receivable collection and further enhance cost awareness; it will improve the cost control system, and comprehensively promote refined cost management; it will comprehensively promote the standardization of business management, and improve the internal economic order system; it will optimize collaborative marketing and internal priority rules, and strengthen internal assessment and internal arrears clearance; it will strengthen fund plan management, standardize project accounting, improve financial internal control, and promote informatization of financial management; it will expand channels for the introduction of high-end talents, accelerate the upgrading and construction of corporate colleges, and promote the use and optimization of human resource sharing platforms; it will continuously improve the level of group-level management by means of informatization construction, organ capacity building, and internal control management.

MARKET LANDSCAPE AND BUSINESS OUTLOOK

Establish Urban Rail Transit

According to the China Association of Metros (中國城市軌道交通協會), as of 31 December 2019, there was an aggregate operating rail transit distance of 6,730.27 km in 40 cities in mainland China. In 2019, six more cities in the mainland China had urban rail transit in operation, including Wenzhou, Jinan, Lanzhou, Changzhou, Xuzhou and Hohhot. Another 27 cities have new lines (sections) in operation, with 26 lines in operation newly added, and 24 extensions or sections opened, with a total length of 968.77 km. The urban rail transit lines newly added in 2019 involved three modes, including 832.72 km of subway, 59.11 km of inner-city rapid rail transit and 76.94 km of modern tram.

In 2019, only a new round of urban rail transit construction planning in Zhengzhou, Xi'an and Chengdu obtained approval. The total length of the newly approved construction planning lines was 486.25 km, with a total investment of RMB342.578 billion, and all the approved lines are subways. In addition, the adjustment to the construction planning scheme for phase II of Beijing urban rail transit was approved, and the lines of the projects involved in this adjustment were 201.2 km long, with a total investment of RMB122.212 billion.

Amid the mounting development pressure facing the urban rail transit industry in 2019, the Company maintained its leading position in the industry. The Company secured 7 general contracting projects, including Hangzhou line 3 north extension and Beijing Winter Olympics branch line in terms of urban rail transit design, continuing to maintain a leading market share.

Civil Construction

With the development of economy and the demand for energy saving and environment protection, an array of new technologies, such as green building technology, the application of green materials, and smart building solutions, are widely used in engineering practice, and market's demand for eco-friendly design has shifted to practical from theoretical. The Company continued to improve its design products based on its own features that have formed and differentiated from general civil construction market, such as rail transit vehicle base and comprehensive property development on top, integrated development of urban underground space, rail transit metro station decoration and other design fields. Moreover, the Company looked to enhance campus planning of civil buildings and the business in such fields as campus buildings, green and energy-efficient buildings, smart city, residential and prefabricated buildings and public buildings through special research.

PPP

In 2019, affected by the macroeconomics, domestic fixed assets investment continued to decline, and the growth rate of infrastructure investment experienced a further slowdown. The PPP infrastructure market was also affected, showing a downward trend. In 2019, the Ministry of Finance, the State Council, the National Development and Reform Commission of the PRC and multiple departments jointly issued the Opinions on Promoting the Normative Development of Public – Private Partnership (Cai Jin [2019] No.10) (《財政部關於推進政府和社會資本合作規範發展的實施意見》(財金[2019]10號文)), Government Investment and Financing Ordinance (Order of the State Council No.712) (《政府投融資條例》(國務院令第712號文)), the Notice on Strengthening the Investment and Construction Management of PPP Projects According to Laws and Regulations (Fa Gai [2019] No. 1098) (《關於依法依規加強PPP項目投資及建設管理的通知》(發改[2019]1098號文)) and other policy documents, having a profound impact on the PPP market under high pressure of rectification and standardization. In 2020, with the introduction and improvement of the Operation Guide for the Government and Social Capital Cooperation Model (revised version) (《政府和社會資本合作模式操作指南(修訂稿)》) and relevant policy documents, PPP market will step into a mature phase, therefore, standardization and high quality will become a market norm.

Rail Transit in Coordination with Innovation Construction

In 2019, the Company comprehensively carried out technology innovation R&D and services and made a series of science and technology R&D achievements, so as to comprehensively enhance the Company's science research and technology level, and serve the Company's entire industrial chain layout, thus formed a science and technology innovation system which integrates science research management, technology R&D and achievement-making, the construction of technology innovation platforms, expert service and talent cultivation.

Industrialization of Science and Technology

On 16 October 2019, Beijing issued "Several Policies and Measures on Deepening the Reform of the Science and Technology System in the New Era and Accelerating the Construction of National Science and Technology Innovation Centres" (referred to as "30 Articles for Science and Innovation") (《關於新時代深化科技體制改革加快推進全國科技創新中心建設的若干政策措施》("科創30條")) to create new competitive advantages for enterprises in Beijing, provide policy, environmental and funding guarantees and promote innovation and breakthroughs in a large number of principal areas. In 2019, the Company took the lead in deploying the cloud market of urban rail with a large first-mover advantage. The industrialization of the station intelligent all-in-one that has been successfully developed and the urban rail cloud overall solution are the Company's most distinctive and competitive advantages in the current market.

Comprehensive Water Environment Improvement Project

At the end of 2018, the General Office of the State Council issued "Guiding Opinions of the General Office of the State Council on Continuing to Make up for Shortcomings in the Infrastructure Field" (《國務院辦公廳關於保持基礎設施領域補短板力度的指導意見》), which clearly pointed out that local governments need to speed up the treatment of black and odorous waters, support the comprehensive treatment of water environment in major river basins, and at the same time solidly promote the three-year action for the improvement of rural residents settlements, support the rural toilet improvement work, promote the construction of rural domestic garbage and sewage treatment facilities, and promote the comprehensive construction of villages. At the same time, the Ministry of Housing and Urban-Rural Development of the PRC also emphasized that in 2019, it is necessary to focus on "Improving the Disaster Prevention Capabilities of Urban Infrastructures and Building Constructions" and strive to improve urban carrying capacity and systemization.

Urban and Rural Planning and Architectural Creation

With the institutional reform of urban and rural planning authorities at all levels, the national urban and rural planning has entered a new era of "land space planning", and cities in various regions have entered a more refined and qualitative development stage. On the one hand, land and space planning has further strengthened the rigid control and policy-leading role of the plan; on the other hand, shed reform, old community renovation, and street improvement have further strengthened the implementation and completion of the plan; and the responsibility planner system allows planning to enter the streets and the grassroots, which strengthens the participation of the public. The planning market shows two hot phenomena. One is "land space planning", which is about to enter the stage of large-scale compilation throughout the country; the other is a plan for upgrading the existing planning, such as street improvement, integrated updating design of the station area, and rural revitalization.

General Contract For Engineering

As of October 2019, there are 28 cities under construction and about to prepare for the construction of rail transit projects. There are 6 types of tendering modes adopted by owners, which are divided into traditional contracting mode, general contract for construction of large section mode, PPP mode, general contract for construction of large section mode + PPP mode, PPP + TOD mode and EPC mode. Traditional contracting mode was adopted in five cities, including Beijing and Hangzhou, accounting for approximately 18%; general contract for construction of large section mode was applied in 14 cities, including Changchun, Chengdu, Qingdao and Zhengzhou, accounting for approximately 50%; PPP mode was used in 6 cities, including Wuhan, Taiyuan and Shijiazhuang, accounting for approximately 22%; general contract for construction of large section mode + PPP mode was employed in Tianjin, accounting for approximately 4%; EPC mode was used in Changsha, accounting for approximately 4%; PPP + TOD mode was adopted in Chongqing, accounting for approximately 4%. From the above statistics, it can be seen that 80% of the total number of cities adopting the general contract for construction of large section mode and the PPP mode, and local governments tendering in these two modes explicitly require or prefer the completion of construction by central enterprises.

Investment Construction Management

In 2019, the orientation of industrial policy is to cultivate and develop emerging industries, transform and upgrade traditional industries, vigorously develop modern service industries, and support the development of green industries. At the same time, it emphasizes the development of industrial integration, including the integration of manufacturing and service industries, the integration of the digital economy and the real economy, and the integration of first, second, and third industries in rural areas. The purpose is to break the original boundaries between the industries, so that the entire industries' supply system and supply quality can better meet the people's needs for a better life.

According to data from the Ministry of Finance, in 2019, local governments have issued local debt of RMB4,362.4 billion, of which new local debt exceeded RMB3 trillion for the first time, and local refinancing bonds used for borrowing and repaying broke through RMB1 trillion for the first time, and more than RMB100 billion of replacement bonds were included. According to the anticipation of relevant agencies and experts, there is no doubt that the scale of local debts will exceed RMB5 trillion in 2020. The State Council encourages special debt to be invested in transportation infrastructures (such as railways, rail transit, urban parking lots), energy projects (such as urban and rural power grids, natural gas pipeline networks, and gas storage facilities), ecological protection projects (such as agriculture, forestry and water conservancy, urban sewage treatment). Overall, China's investment in infrastructure still has much room for improvement and potential. The Company seized the government's counter-cyclical adjustments, increased the investment environment for infrastructure construction, planned ahead and carried out market tracking of existing and newly approved rail transit projects.

MAJOR RISKS AND UNCERTAINTIES

Risks on Macro Policy

The fluctuation of national macro-economic policies, industrial policies and industrial planning will directly affect the development of the Company. The National Development and Reform Commission issued guidelines on planning and construction of rail transit, which proposed to "build a metropolitan circle on the rail". Based on the layout of rail transit network in the metropolitan circle, China strived to create a commuting circle with rail transit as the backbone. In September 2019, the CPC Central Committee and the State Council promulgated the Outline for Building China's Strength in Transportation (《交通強國建設綱要》), which stated that China will complete the task of traffic construction of securing a decisive victory in building a modestly prosperous society in all respects and the tasks of the "13th Five-Year Plan" for the modern integrated transportation system by 2020, laying a solid foundation for the construction of a strong transportation nation, pointing out the direction and putting forward requests for the development of urban rail transit.

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 situation of an overall slowdown in the development of urban rail transit market and the fierce competition, industry leaders are facing more severe market competition. With such fierce competition, the Company will face challenges regarding how to gain market share in a severe situation and consolidate its leading position in the industry.

Countermeasures: the Company shall fully understand market information, timely follow up projects under tracking, well fulfill contracts of projects, constantly extend the industry chain of design business, adapt to new situation of market development, further enlarge the pattern and scale of design consultation market, continuously enhance core competitiveness of the Company and keep its market share. The Company shall also consolidate traditional market, explore new market through alliance between giants, become more specialized, and take multiple measures to improve general contracting business; meanwhile, proactively explore new business, such as investment and finance, property development, science and technology industrialization and create new growth drivers.

FUTURE DEVELOPMENT PROSPECTS

2020 is the last year of the "13th Five-Year Plan" and the preparation year for the "14th Five-Year Plan". The state comprehensively implements the spirit of the 19th CPC National Congress, closely follows the goal of building a well-off society in an all-round way, adheres to the general working guideline of making progress while maintaining stability, sticks to the concept of new development, focuses on the supply-side structural reform, deepens the reform and opening-up, promotes high-quality development, and will make coordinated efforts to stabilize growth, promote reform, adjust the structure, benefit the people's livelihood, prevent risks, maintain stability, and maintain economic operation in a reasonable range. Therefore, the Company actively responds, strives for progress while maintaining stability, and insists on playing a greater role in the field of urban rail transit and realizing greater value.

Guided by the national policies, the Company will lead the corporate development, improve corporate scale efficiency and development quality in all aspects, and continue to take advantage of technological innovation and its leading role in industries within traditional advantageous industries. 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, explore asset-backed securitization, open up domestic and overseas financing channels, level up the core competitiveness of technological innovation, and cultivate the new capability for PPP operations; ensure safety and quality, establish quality demonstration projects, strengthen technical quality management and continuously strengthen the 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 announcement.

DIVIDEND

Pursuant to Rule 18 of "Measures for the Administration of Securities Issuance and Underwriting" (《證券發行與承銷管理辦法》) of China Securities Regulatory Commission ("**CSRC**") and related regulatory Q&A requirements, the Company could only issue securities domestically after the profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or yet to be implemented though being approved by the general meeting, have been implemented. To ensure the Company's issuance and listing of A Share related works are steadily pushing ahead whereas the Company's A Share prospectus has been pre-disclosed on the CSRC website, the Board resolved on 25 March 2020 to recommend not to pay any final dividend in 2019.

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 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2019 annual results and the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with the IFRSs.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

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

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

Beijing, the PRC, 25 March 2020

As at the date of this announcement, the executive directors of the Company are Wang Hanjun and Li Guoqing; the non-executive directors of the Company are Pei Hongwei, Tang Shuchang, Wu Donghui, Guan Jifa, Ren Yuhang, Su Bin, Yu Xiaojun and Ren Chong; and the independent non-executive directors of the Company are Wang Dexing, Ma Xufei, Sun Maozhu, Liang Qinghuai and Qin Guisheng.