

BCEG International (UK) Ltd
Report of the Directors and
Audited Financial Statements
For The Year Ended 31 December 2017



BCEG International (UK) Ltd

**Contents of the Financial Statements
For The Year Ended 31 December 2017**

| | Page |
|---|-------------|
| Company Information | 1 |
| Report of the Directors | 2 |
| Report of the Independent Auditors | 4 |
| Statement of Comprehensive Loss | 6 |
| Statement of Financial Position | 7 |
| Statement of Changes in Equity | 8 |
| Cash Flow Statement | 9 |
| Notes to the Cash Flow Statement | 10 |
| Notes to the Financial Statements | 11 |
| Income Statement Summaries | 21 |

BCEG International (UK) Ltd
Company Information
For The Year Ended 31 December 2017

DIRECTORS:

S H Chi
Y Xing
D Yu

SECRETARY:

S H Chi

REGISTERED OFFICE:

Ground Floor Voyager Building
Chicago Avenue
Manchester Airport
Manchester
M90 3DP

REGISTERED NUMBER:

08725883 (England and Wales)

AUDITORS:

Ernst Young LLP
2 St Peter's Square
Manchester
M2 3EY

BANKERS:

Bank of China
67 - 69 Mosley Street
Manchester
M2 3JB

BCEG International (UK) Ltd

Report of the Directors For The Year Ended 31 December 2017

The directors present their report and audited financial statements of the company for the year commencing 1 January 2017 and ended 31 December 2017.

The company has taken the exemption available under section 414b of the Companies Act 2006 to not prepare a Strategic Report and has taken advantage of the exemption available under section 415A of the Companies Act 2006 in preparing the directors' report having met the criteria of a small Company in the current and previous financial year.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a management services company.

REVIEW OF BUSINESS

The loss for the financial year was £59,733 (2016: loss of £11,108) and has net liabilities of £99,637 (2016: £39,905). At the statement of financial position date, the company has total assets of £13 (2016: total assets £13).

The directors are satisfied with the results for the year and the financial position at the year end. They expect the company to operate profitably in the near future.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

S H Chi
Y Xing
D Yu

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BCEG International (UK) Ltd

**Report of the Directors - continued
For The Year Ended 31 December 2017**

DIRECTORS' RESPONSIBILITIES STATEMENT - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

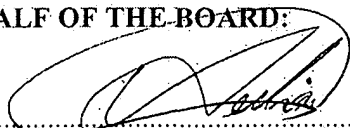
Independent auditors

Ernst Young LLP, have expressed their willingness to be re-appointed as auditors of the company. A resolution will be proposed at the next Annual General Meeting to re-appoint Ernst Young LLP as the auditors of the company

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

ON BEHALF OF THE BOARD:



.....
S H Chi - Director

Date: 01 Feb 2019

Report of the Independent Auditors to the Members of BCEG International (UK) Ltd

Opinion

We have audited the financial statements of BCEG International (UK) Ltd (the 'Company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Loss, Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and the report of the directors have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
BCEG International (UK) Ltd - continued**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page 2], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

Date: *5 February 2019*

BCEG International (UK) Ltd
Statement of Comprehensive Loss
For The Year Ended 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|-----------------|-----------------|
| CONTINUING OPERATIONS | | | |
| Revenue | | - | - |
| Administrative expenses | | <u>(59,733)</u> | <u>(11,108)</u> |
| OPERATING LOSS | | <u>(59,733)</u> | <u>(11,108)</u> |
| LOSS BEFORE INCOME TAX | 4 | (59,733) | (11,108) |
| Income tax | 5 | <u>-</u> | <u>-</u> |
| LOSS FOR THE YEAR | | <u>(59,733)</u> | <u>(11,108)</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | <u>(59,733)</u> | <u>(11,108)</u> |

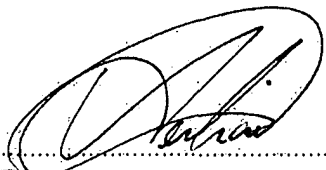
The notes form part of these financial statements

BCEG International (UK) Ltd (Registered number: 08725883)

**Statement of Financial Position
31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|-------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | <u>13</u> | <u>13</u> |
| TOTAL ASSETS | | <u><u>13</u></u> | <u><u>13</u></u> |
| EQUITY | | | |
| SHAREHOLDERS' EQUITY | | | |
| Called up share capital | 7 | 1 | 1 |
| Accumulated losses | 8 | <u>(99,638)</u> | <u>(39,905)</u> |
| TOTAL EQUITY | | <u>(99,637)</u> | <u>(39,904)</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | <u>88,477</u> | <u>30,767</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | <u>11,173</u> | <u>9,150</u> |
| TOTAL LIABILITIES | | <u>99,650</u> | <u>39,917</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>13</u></u> | <u><u>13</u></u> |

The financial statements were approved by the Board of Directors on 01 Feb 2019 and were signed on its behalf by:



 S.H. Chi - Director

The notes form part of these financial statements

BCEG International (UK) Ltd

**Statement of Changes in Equity
For The Year Ended 31 December 2017**

| | Called up share capital £ | Accumulated losses £ | Total equity £ |
|------------------------------------|------------------------------------|----------------------------|----------------------|
| Balance at 1 January 2016 | 1 | (28,797) | (28,796) |
| Changes in equity | | | |
| Total comprehensive loss | <u>-</u> | <u>(11,108)</u> | <u>(11,108)</u> |
| Balance at 31 December 2016 | <u>1</u> | <u>(39,905)</u> | <u>(39,904)</u> |
| Changes in equity | | | |
| Total comprehensive loss | <u>-</u> | <u>(59,733)</u> | <u>(59,733)</u> |
| Balance at 31 December 2017 | <u>1</u> | <u>(99,638)</u> | <u>(99,637)</u> |

The notes form part of these financial statements

BCEG International (UK) Ltd

**Cash Flow Statement
For The Year Ended 31 December 2017**

| | Notes | 2017 £ | 2016 £ |
|---|-------|------------------|------------------|
| Cash flows used in operating activities | | | |
| Cash used in operations | 1 | <u>(57,710)</u> | <u>(4,458)</u> |
| Net cash used in operating activities | | <u>(57,710)</u> | <u>(4,458)</u> |
| Cash flows from financing activities | | | |
| Increase in trade and other payables | | <u>57,710</u> | <u>4,413</u> |
| Net cash from financing activities | | <u>57,710</u> | <u>4,413</u> |
| Decrease in cash and cash equivalents | | <u>-</u> | <u>(45)</u> |
| Cash and cash equivalents at beginning of year | 2 | <u>13</u> | <u>58</u> |
| Cash and cash equivalents at end of year | 2 | <u><u>13</u></u> | <u><u>13</u></u> |

The notes form part of these financial statements

BCEG International (UK) Ltd

**Notes to the Cash Flow Statement
For The Year Ended 31 December 2017**

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED IN OPERATIONS

| | 2017 | 2016 |
|--------------------------------------|------------------------|-----------------------|
| | £ | £ |
| Loss before income tax | (59,733) | (11,108) |
| Increase in trade and other payables | <u>2,023</u> | <u>6,650</u> |
| Cash used in operations | <u>(57,710)</u> | <u>(4,458)</u> |

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

| | 31.12.17 | 1.1.17 |
|---------------------------|-----------|-----------|
| | £ | £ |
| Cash and cash equivalents | <u>13</u> | <u>13</u> |

Year ended 31 December 2016

| | 31.12.16 | 1.1.16 |
|---------------------------|-----------|-----------|
| | £ | £ |
| Cash and cash equivalents | <u>13</u> | <u>58</u> |

The notes form part of these financial statements

BCEG International (UK) Ltd

Notes to the Financial Statements For The Year Ended 31 December 2017

1. STATUTORY INFORMATION

BCEG International (UK) Ltd (the “Company”) is a limited company incorporated and registered in England and Wales (United Kingdom) under the Companies Act 2006. It is a private company limited by shares. Its Parent Company is BCEGI Holdings (UK) Limited (the “Parent Company”), incorporated in England and Wales, and the ultimate holding company is Beijing Construction Engineering Group Co Ltd (the “Ultimate Parent Company”), a company incorporated in The People's Republic of China. Its ultimate controlling party is the State-owned Assets Supervision and Administration Commission of the State Council, the People's Republic of China. The address of the registered office and its principal place of business is Ground Floor Voyager, Chicago Avenue, Manchester, M90 3DP.

The smallest group to which the results of the Company were consolidated was headed by BCEGI Holdings (UK) Limited, the largest group to which the results of the Company were consolidated was headed by Beijing Construction Engineering Group Co Ltd.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis and on a going concern basis. Historical cost is generally based on fair value for the consideration given in exchange for goods and services.

2. ACCOUNTING POLICIES

2.1.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) as adopted for use in the European Union (EU), including International Accounting Standards (IAS) and interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to Companies reporting under IFRS. Further standards may be issued by the International Accounting Standards and standards currently in issue and endorsed by the EU may be subject to interpretations issued by the IFRS IC.

The principal accounting policies have been applied consistently and are set out below.

2.2.1. Going concern

The Company is reliant on the support of the Ultimate Parent Company, Beijing Construction Engineering Group Co Ltd. A letter of support has been provided to the Directors confirming Beijing Construction Engineering Group Co Ltd intention to provide financial support to the Company for at least 12 months from the date of approval of these financial statements. Accordingly, to the directors of BCEG International (UK) Ltd have prepared these financial statements on a going concern basis.

2.2.2. Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3. Critical accounting judgement and key sources of estimation uncertainty

2.3.1. Critical accounting judgements

In the application of the Company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

BCEG International (UK) Ltd

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

2. ACCOUNTING POLICIES - continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revised amount affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. In categorising leases as finance or operating lease, management makes judgements as to whether significant risk and rewards of ownership have transferred to the Company as lessee.

2.3.2. Key source of uncertainty

The directors do not consider there to be any areas where significant judgement or estimation has been applied in preparing the financial statements

2.4. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

Financial assets and liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition or financial assets or financial liabilities at fair value through the profit or loss are recognised immediately in profit or loss.

2.4.1. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.4.2. Effective interest method

The effective interest method is a method of calculating the amortised costs of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

2.4.3. Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

BCEG International (UK) Ltd

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

2. ACCOUNTING POLICIES – continued

2.4.4. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principle payments;
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.4.5. Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flow from the asset expire or are settled, or when it transfers the financial asset substantially all the risks and rewards of ownership to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred asset, the Company will continue to recognise the financial asset and also recognises a collateralised borrowing for proceeds received.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2017

2. ACCOUNTING POLICIES – continued

2.4.5. Derecognition of financial assets – continued

On derecognition of a financial asset other than its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset) the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

2.5. Financial liabilities and equity instrument

2.5.1. Classification as debt or equity

Debt and equity instrument issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.5.2. Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.5.3. Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVPL' or 'other financial liabilities'.

2.5.4. Financial liabilities at amortised cost

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.5.5. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability is derecognised when the consideration is paid or payable is recognised in profit or loss.

BCEG International (UK) Ltd

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

2. ACCOUNTING POLICIES - continued

2.6. Taxation

2.6.1. Current tax

The tax expense represents the sum of tax currently payable and deferred tax. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit and loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends to settle on the net basis or realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

2.6.2. Deferred tax

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

BCEG International (UK) Ltd

**Notes to the Financial Statements - continued
For The Year Ended 31 December 2017**

2. ACCOUNTING POLICIES – continued

2.7. Employee benefit costs

2.7.1. Retirement benefit costs

The Company operates a defined contribution pension scheme. Payments to the defined retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

2.7.2. Short term and long-term employee benefits

Liabilities in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefit are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of service provided by employees up to the reporting date.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee to provide termination benefits.

2.8.1. Cash and cash equivalent

Cash and cash equivalent are basic financial instruments and includes cash in hand, deposits held at call and other short-term liquid investment with original maturities off three months or less.

3. EMPLOYEES AND DIRECTORS

| | 2017 | 2016 |
|--------------------|---------------|----------|
| | £ | £ |
| Wages and salaries | <u>16,346</u> | <u>-</u> |

The average number of employees during the year was as follows:

| | 2017 | 2016 |
|----------------------|----------|----------|
| Administrative staff | <u>1</u> | <u>-</u> |

The directors receive no remuneration in respect of their services to the Company (2016: £0).

4. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

| | 2017 | 2016 |
|------------------------|--------------|--------------|
| | £ | £ |
| Auditors' remuneration | <u>4,000</u> | <u>7,000</u> |

Fees payable to the Company's auditors in respect of tax services were borne by a fellow group company without charge.

BCEG International (UK) Ltd

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

5. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2017 nor for the year ended 31 December 2016.

Factors affecting the tax expense

The tax assessed for the year is the same as (2016 - higher) the standard rate of corporation tax in the UK. The difference is explained below:

| | 2017 £ | 2016 £ |
|---|-----------------|-----------------|
| Loss before income tax | <u>(59,733)</u> | <u>(11,108)</u> |
| Loss multiplied by the standard rate of corporation tax in the UK of 19% (2016 - 20%) | (11,349) | (2,222) |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 110 |
| Tax losses not recognised | <u>11,349</u> | <u>2,112</u> |
| Tax expense | <u>-</u> | <u>-</u> |

There is an unrecognised deferred tax asset of £14,173 (2016: £2,824) in respect of trading losses carried forward. The deferred tax asset will be recognised when sufficient future taxable profits are forecast.

Changes to UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

6. CASH AND CASH EQUIVALENTS

| | 2017 £ | 2016 £ |
|---------------|-----------|-----------|
| Bank accounts | <u>13</u> | <u>13</u> |

For the purpose of the statement of cash flows, cash and cash equivalents including cash on hand and in banks, net of outstanding credit cards and overdrafts. Cash and cash equivalents at the end of the reporting year are shown in the statement of cash flows and can be reconciled to the related items in the statements of financial position.

7. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2017 £ | 2016 £ |
|---------|----------|----------------|-----------|-----------|
| 1 | Ordinary | £1 | <u>1</u> | <u>1</u> |

BCEG International (UK) Ltd

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

8. ACCUMULATED LOSSES

| | Accumulated losses £ |
|----------------------|----------------------------|
| At 1 January 2017 | (39,905) |
| Deficit for the year | (59,733) |
| At 31 December 2017 | <u>(99,638)</u> |

9. TRADE AND OTHER PAYABLES

| | 2017 £ | 2016 £ |
|------------------------------------|---------------|---------------|
| Current: | | |
| Social security and other taxes | 2,673 | - |
| Accrued expenses | <u>8,500</u> | <u>9,150</u> |
| | <u>11,173</u> | <u>9,150</u> |
| Non-current: | | |
| Amounts owed to group undertakings | <u>88,477</u> | <u>30,767</u> |
| Aggregate amounts | <u>99,650</u> | <u>39,917</u> |

All trade and other payables are denominated in GBP. The directors consider the book value of trade and other payables to be equivalent to their fair value due to their short-term nature.

Amounts owed to group undertakings carry no terms of repayment, are not secured and are not subject to interest charges.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

10.1. Financial instruments

Financial instruments utilised by the Company during the year's ended 31 December 2017 and 31 December 2016, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Financial assets

The Company classifies all financial assets which comprise trade and other receivables and cash and cash equivalents, loans and receivables.

BCEG International (UK) Ltd

Notes to the Financial Statements - continued For The Year Ended 31 December 2017

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

10.1. Financial instruments – continued

Financial liabilities

The Company classifies all financial liabilities, which comprise trade and other payables and borrowings as financial liabilities measured at amortised cost. The table below sets out the Company's financial instrument by category:

| | 2017 | 2016 |
|--|---------------|---------------|
| Carrying amounts of financial assets | | |
| Financial assets measured at amortised costs | £ | £ |
| Cash at bank | <u>13</u> | <u>13</u> |
| Carrying amounts of financial liabilities | | |
| Measured at amortised cost | | |
| Accrual and other payables | 11,173 | 9,150 |
| Amount owed to group undertakings | 88,477 | 30,767 |
| | <u>99,650</u> | <u>39,917</u> |

10.2. Financial risk management

The Company's activities expose it to a variety of financial risks, principally being credit risk and capital risk.

a) Credit risk

Credit risk is managed at a Company level for both. Credit risk arises from cash and cash equivalent and deposits with banks and financial institutions.

The risk associated with banks and financial institutions, is managed by the directors and all banking relationships must be approved by the directors' basis on the credit rating of the bank.

b) Capital risk management

The company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders.

The directors consider capital to represent the Company's share capital and accumulated losses.

11. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent company is BCEGI Holdings (UK) Limited, a company incorporated in England, and a company which is the parent undertaking of the smallest group to consolidate these financial statements.

The company's ultimate parent company is Beijing Construction Engineering Group Co. Ltd, a company incorporated and registered in the Peoples Republic of China. Beijing Construction Engineering Group Co. Ltd is the parent undertaken of the largest Group to consolidate these financial statements.

The Company's ultimate controlling party is the State-Owned Assets and Administration Commission of the State Council, The People's Republic of China.

BCEG International (UK) Ltd

**Notes to the Financial Statements - continued
For The Year Ended 31 December 2017**

12. RELATED PARTY DISCLOSURES

During the year the Company entered into the following transactions with the related parties:

The balances outstanding at the end of the reporting year are:

| | 2017 £ | 2016 £ |
|------------------------------------|---------------|---------------|
| Amounts owed to group companies: | | |
| BCEGI Holdings (UK) Limited | 112 | 112 |
| BCEGI Construction (UK) Limited | 88,365 | 30,655 |
| | <u>88,477</u> | <u>30,767</u> |
| Transactions with group companies: | | |
| BCEGI Holdings (UK) Limited | - | - |
| BCEGI Construction (UK) Limited | 57,710 | 4,413 |
| | <u>57,710</u> | <u>4,413</u> |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of the amounts owed by the related parties.