



**北京城建设计发展集团股份有限公司**

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

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

Stock Code: 1599



1998

**2019**

Interim Report

# CONTENTS

2	Definitions
4	Corporate Information
5	Management Discussion and Analysis
21	Other Information
28	Report on Review of Interim Condensed Consolidated Financial Statements
30	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
32	Interim Condensed Consolidated Statement of Financial Position
34	Interim Condensed Consolidated Statement of Changes in Equity
36	Interim Condensed Consolidated Statement of Cash Flows
38	Notes to the Interim Condensed Consolidated Financial Statements



# Definitions

In this interim report, the following expressions shall have the following meanings unless the context otherwise requires:

“Articles of Association”	the Articles of Association of Beijing Urban Construction Design & Development Group Co., Limited
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“Company”	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司)
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted shares which are currently not listed or traded on any stock exchange
“Group”, “us” or “we”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“PRC” or “China”	the People’s Republic of China
“PPP”	a model of public-private partnerships jointly participating in the construction of public infrastructure
“Reporting Period”	the six months ended 30 June 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of the Company, including H Share(s) and Domestic Share(s)
“Supervisor(s)”	supervisor(s) of the Company
“%”	per cent
“MOHURD”	Ministry of Housing and Urban-Rural Development of the People’s Republic of China

## REGISTERED NAME

### Chinese:

北京城建設計發展集團股份有限公司

### English:

Beijing Urban Construction Design &  
Development Group Co., Limited

## LISTING PLACE OF H SHARES:

The Stock Exchange of Hong Kong Limited

## TYPE OF STOCK:

H Share

## STOCK NAME:

UCD

## STOCK CODE:

1599

## H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

## REGISTERED OFFICE:

5 Fuchengmen North Street,  
Xicheng District,  
Beijing, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

## LEGAL REPRESENTATIVE:

Mr. Shi Yubin

## SECRETARY OF THE BOARD:

Mr. Xuan Wenchang

## JOINT COMPANY SECRETARIES:

Mr. Xuan Wenchang

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

## WEBSITE:

[www.bjucd.com](http://www.bjucd.com)

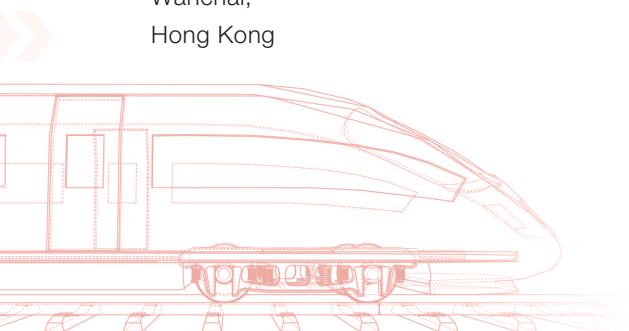
## AUDITOR:

Ernst & Young

## LEGAL ADVISORS:

As to Hong Kong Laws: Clifford Chance

As to PRC Laws: Haiwen & Partners





## SUMMARY

In the first half of 2019, insisting on the layout in the entire urban rail transit industry chain, the Group increased coordination, further developed markets, stabilized growth, prevented risks, and effectively utilized advantages in nation-wide marketing network, industry-wide layout, whole-process design, got through business barriers, condensed market forces, made significant progress in business development, and formed the design-led, capital-driven and business-oriented expansion, innovation and upgrading, and accomplished all task objectives in the context of slowdown in investment in rail transit.

For the six months ended 30 June 2019, the Group's revenue amounted to RMB3,584 million, representing an increase of RMB166 million or 4.86% compared to RMB3,418 million for the corresponding period of last year. The Group's net profit amounted to RMB308 million, representing an increase of RMB39 million or 14.50% compared to the net profit of RMB269 million for the corresponding period of last year.

## FINANCIAL REVIEW

### Summary of Operating Results

	For the six months ended	
	30 June	
	2019	2018
	(RMB'000)	(RMB'000)
	Unaudited	Unaudited
Revenue	<b>3,583,947</b>	3,418,215
Cost of sales	<b>(2,824,189)</b>	(2,772,583)
Gross profit	<b>759,758</b>	645,632
Other income and gains	<b>175,698</b>	172,357
Selling and distribution expenses	<b>(29,008)</b>	(33,512)
Administrative expenses	<b>(343,430)</b>	(309,957)
Impairment losses on financial and contract assets	<b>(72,737)</b>	(48,326)
Other expenses	<b>(48)</b>	(9,450)
Finance costs	<b>(113,346)</b>	(83,203)
Share of profits/(losses) of joint ventures	<b>(6,762)</b>	2,419
Share of profits of associates	<b>1,225</b>	2,243
Profit before tax	<b>371,350</b>	338,203
Income tax expense	<b>(62,880)</b>	(69,023)
Profit for the period	<b>308,470</b>	269,180

### REVENUE

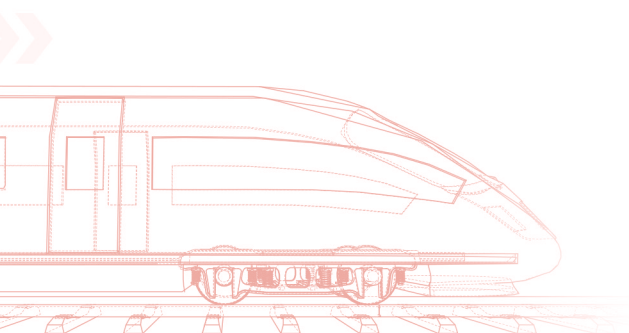
The Group generates its revenue from the design, survey and consultancy segment as well as the construction contracting segment where the Group provides services for infrastructure construction (in particular, urban rail transit). For the six months ended 30 June 2019, the Group achieved a revenue of RMB3,584 million, representing an increase of RMB166 million or 4.86% compared to RMB3,418 million for the corresponding period of last year. The increase was mainly attributable to the emphasis on ensuring the performance of projects on hand within the context that investment in urban rail transit decreased. Besides, the Company fully utilizing the comprehensive A-class qualification of design and consultancy to expand its business scope and promote the synergic development of various sectors of the Company, which contributed to the steady growth of the Company's revenue.

An analysis of revenue by segment is as follows:

	For the six months ended	
	30 June	
	2019	2018
	(RMB'000)	(RMB'000)
Products by industry	Unaudited	Unaudited
Design, survey and consultancy	<b>1,862,779</b>	1,682,696
Construction contracting	<b>1,721,168</b>	1,735,519
Total	<b>3,583,947</b>	3,418,215

### DESIGN, SURVEY AND CONSULTANCY SEGMENT

The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal administration. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2019, while maintaining the leading position in the industry of design for urban rail transit, the Group also kept expanding the scope of design and survey business and seized the chance to tap into the market in Xiong'an New Area and secured various projects such as Baiyang Lake Environmental Protection Comprehensive Treatment Project. In the first half of 2019, the Company won the bid for a total of 5 design projects in Beijing, Hangzhou, Chongqing and other cities, maintaining a leading position in terms of market share.



For the six months ended 30 June 2019, the design, survey and consultancy segment of the Group achieved a revenue of RMB1,863 million, representing an increase of RMB180 million or 10.70% compared to RMB1,683 million for the corresponding period in 2018. Among which, the revenue of the urban rail transit construction business amounted to RMB1,548 million, representing an increase of RMB202 million or 15.01% compared to RMB1,346 million for the corresponding period of last year. The revenue of the industrial and civil construction and municipal administration business amounted to RMB315 million, representing a decrease of RMB22 million or 6.53% compared to RMB337 million for the corresponding period of last year.

### CONSTRUCTION CONTRACTING SEGMENT

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

For the six months ended 30 June 2019, the Group's revenue from the construction contracting segment was RMB1,721 million, representing a decrease of RMB15 million or 0.86% compared to RMB1,736 million for the corresponding period in last year. It was mainly due to the slowing down of the construction of the Company's engineering project, in general smaller than the corresponding period of last year.

### COST OF SALES

For the six months ended 30 June 2019, the cost of sales incurred by the Group was RMB2,824 million, representing an increase of RMB51 million or 1.84%, which is lower than the increase of 4.86% in revenue, compared to RMB2,773 million for the corresponding period of last year. This was mainly attributable to the Company's persistent efforts in enhancing the projects' cost control and settlement and reduced proportion of construction contracting business with a lower gross profit for the current period.

For the six months ended 30 June 2019, cost of sales of the Group's design, survey and consultancy segment increased to RMB1,277 million for the current period from RMB1,184 million for the corresponding period of last year, representing an increase of 7.85%, which was lower than the increase of revenue. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased to RMB1,046 million for the current period from RMB935 million for the corresponding period of last year, representing an increase of 11.87%. The cost of sales of the industrial and civil construction and municipal administration business of the design, survey and consultancy segment decreased to RMB231 million for the current period from RMB249 million for the corresponding period of last year, representing a decrease of 7.23%.

For the six months ended 30 June 2019, the cost of sales of the Group's construction contracting segment decreased to RMB1,547 million for the current period from RMB1,589 million for the corresponding year of last year, representing a decrease of 2.64%.



### GROSS PROFIT AND GROSS MARGIN

For the six months ended 30 June 2019, the gross profit of the Group was RMB760 million, representing an increase of RMB114 million or 17.65% compared to RMB646 million for the corresponding period of last year, while the consolidated gross margin increased from 18.9% to 21.2%, which was mainly attributable to the continuous strengthening of the cost control and settlement of projects by the Company and the increased proportion of design business with relatively high gross profit.

The gross profit of design, survey and consultancy segment increased to RMB586 million for the current period from RMB499 million for the corresponding period of last year, representing an increase of RMB87 million or 17.43%. The gross margin increased to 31.4% for the current period from 29.7% for the corresponding period of last year, which was mainly attributable to the continuous strengthening of the cost control and settlement of projects by the Company and the stable level of gross profit margin with slight increment. The gross profit of the construction contracting segment increased from RMB147 million for the corresponding period of last year to RMB174 million for the current period, representing an increase of RMB27 million or 18.37%. Gross profit margin increased to 10.2% for the current period from 8.5% in the same period of last year, which was mainly due to the increase in the proportion of revenue from projects with relatively higher gross profit margin in the construction contracting segment as compared to the same period last year.

### OTHER INCOME AND GAINS

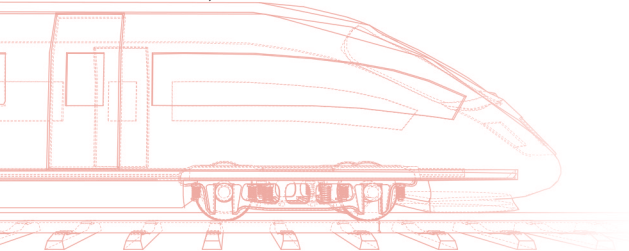
For the six months ended 30 June 2019, other income and gains of the Group were RMB175.70 million, representing an increase of RMB3.34 million or 1.94% compared to RMB172.36 million for the corresponding period of last year, which was mainly attributable to the increase in the interest income revenue.

### SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2019, selling and distribution expenses of the Group were RMB29.01 million, representing a decrease of RMB4.50 million or 13.43% compared to RMB33.51 million for the corresponding period of last year. The decrease in selling and distribution expenses was mainly attributable to the reinforced synergic marketing of the industry chain by the Company, which led to the decrease in expenses.

### ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2019, administrative expenses of the Group were RMB343.43 million, representing an increase of RMB33.47 million or 10.80% compared to RMB309.96 million for the corresponding period of last year. Such increase was mainly due to the increase in the number of scientific research projects of the Company in 2019, which resulted in the increase in R&D expenses.



### **IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS**

For the six months ended 30 June 2019, impairment losses on financial and contract assets of the Group were RMB72.74 million, representing an increase of RMB24.41 million as compared to the same period of last year, which was led by the increase in accounts receivable during the period.

### **OTHER EXPENSES**

For the six months ended 30 June 2019, other expenses of the Group were RMB0.05 million, representing a decrease of RMB9.40 million or 99.47% compared to RMB9.45 million for the corresponding period of last year. The decrease in other expenses was mainly attributable to the adjustment to the requirements of new standard, where there is the inclusion of expected contractual loss in sales cost.

### **FINANCE COSTS**

For the six months ended 30 June 2019, finance costs of the Group were RMB113.35 million, representing an increase of RMB30.15 million or 36.24% compared to RMB83.20 million for the corresponding period of last year, which was mainly attributable to the increase in interest expenses due to the long-term borrowings of Guizhou Jingjian Company, Yunnan Jingjian Company and Huangshan Jingjian Company, the Group's subsidiaries.

### **INCOME TAX EXPENSES**

For the six months ended 30 June 2019, the income tax expenses of the Group was RMB62.88 million, representing a decrease of RMB6.14 million or 8.90% as compared to RMB69.02 million for the corresponding period of last year. Such decrease was mainly attributable to the decrease of the profit before tax of the Company with income tax rate of 25%.

### **PROFIT FOR THE PERIOD**

For the six months ended 30 June 2019, the profit of the Group for the period was RMB308 million, representing an increase of RMB39 million or 14.50% compared to RMB269 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:

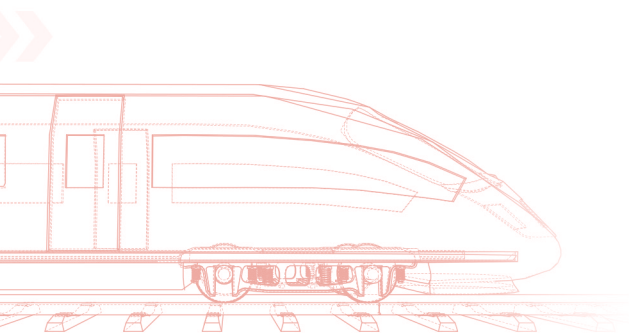
	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(RMB'000)</b>	(RMB'000)
	<b>(Unaudited)</b>	(Unaudited)
Net cash outflows from operating activities	<b>(370,838)</b>	(733,976)
Net cash (outflows)/inflows from investing activities	<b>(550,247)</b>	321,529
Net cash inflows from financing activities	<b>1,620</b>	440,067
Net (decrease)/increase in cash and cash equivalents	<b>(919,465)</b>	27,620

The net cash outflows from operating activities in January to June 2019 was RMB371 million, which was mainly attributable to less operating receipts than operating payments in the period. The net cash outflows from investing activities was RMB550 million. During the period, the paid-in capital contributed to Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. (雲南京建軌道交通投資建設有限公司), a joint venture, amounted to RMB370 million, and the paid-in capital contributed to Shaoxing Jingyue Metro Co., Ltd. (紹興京越地鐵有限公司), amounted to RMB77 million, and RMB107 million of cash was used in purchase of fixed assets, intangible assets and other long-term assets. The net cash inflows from financing activities was RMB2 million, which was mainly due to the receipt of bank loans of RMB291 million for projects of Guizhou Jingjian and Huangshan Jingjian, and the transit company during the period, the repayment of borrowings expenditure of approximately RMB80 million and related interest expenses of approximately RMB103 million, the payment of dividends to shareholders of approximately RMB72 million for the period, and the payment of lease of RMB34 million.

### PLEDGE OF ASSETS

For the six months ended 30 June 2019, the financial receivables and intangible assets of the Group derived from PPP projects were pledged to secure the certain bank borrowings granted to the Group. As at 30 June 2019, the net pledged receivables and intangible assets were RMB5,222 million (as at 31 December 2018: RMB5,037 million).

For the six months ended 30 June 2019, guarantees for interest-bearing bank borrowings to a joint venture by the Group and the outstanding balance of such guarantees was RMB280 million.



## Management Discussion and Analysis (Continued)

The capital commitment of the Group as at 30 June 2019 and 31 December 2018 were as follows:

	<b>30 June 2019</b> <b>(RMB'000)</b> <b>(Unaudited)</b>	31 December 2018 <b>(RMB'000)</b> <b>(audited)</b>
Contracted, but not published:		
Property, plant and equipment	<b>182,276</b>	188,308
Equity investments	<b>3,956,191</b>	3,683,390
	<b>4,138,467</b>	3,871,698

## 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 30 June 2019, the net current asset of the Group was RMB2,975 million, among which cash and cash equivalents accounted for RMB2,973 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.

As of 30 June 2019, the Group's interest-bearing borrowings were RMB4,848 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 30 June 2019 divided by the total equity as at 30 June usually 2019) was 102.13%.

## INDEBTEDNESS

The table below shows the total borrowings of the Group as at 30 June 2019 and 31 December 2018. The Group settles the borrowings on time.

	<b>30 June 2019</b> <b>(RMB'000)</b> <b>(Unaudited)</b>	31 December 2018 <b>(RMB'000)</b> <b>(Audited)</b>
Bank borrowings		
Pledged	<b>4,059,118</b>	3,894,225
Non-pledged	<b>53,914</b>	4,000
Other borrowings		
Non-pledged	<b>734,701</b>	708,400
Total	<b>4,847,733</b>	4,606,625

## Management Discussion and Analysis (Continued)

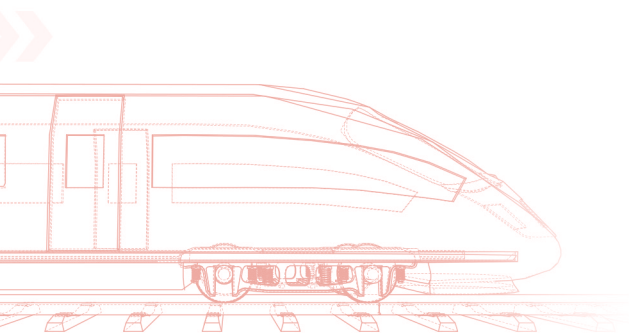
As at 30 June 2019, the Group's borrowings are all dominated in RMB, and bear interest at 3.98% to 6.525%.

The table below shows the maturity of the Group's debts as at 30 June 2019 and 31 December 2018:

	<b>30 June 2019</b> <b>(RMB'000)</b> <b>(Unaudited)</b>	31 December 2018 (RMB'000) (Audited)
Within one year	<b>595,826</b>	508,400
Between one to two years	<b>358,000</b>	358,000
Between two to three years	<b>478,000</b>	358,000
Between three to four years	<b>458,000</b>	578,000
Between four to five years	<b>478,000</b>	358,000
Over five years	<b>2,479,907</b>	2,446,225
Total	<b>4,847,733</b>	4,606,625

### EXCHANGE RATE RISK

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



### USE OF PROCEEDS

For the six months ended 30 June 2019, the Company utilized an aggregate of RMB738.35 million of the proceeds, among which RMB383.94 million was invested to supplement the design, survey and consultancy projects and construction contracting projects in relation to urban rail transit business, including an investment of RMB0.17 million in 2019; RMB184.60 million was invested to enhance, through self-development, cooperation or acquisition, the design and technology research capabilities in relation to the urban rail transit business and facilitate commercialisation of the technologies, including an investment of RMB1.81 million in 2019; RMB73.83 million was used to improve the construction capabilities in relation to urban rail transit business, including an investment of RMB0.45 million in 2019; RMB22.15 million was used to build the information systems, of which, no proceeds was invested in 2019; RMB73.83 million was used to supplement the working capital, including an investment of RMB3.04 million in 2019.

As of 30 June 2019, all proceeds of the Company have been utilized for the purpose disclosed in the prospectus published by the Company on 25 June 2014.

### EMPLOYEES

As of 30 June 2019, the Group had approximately 4,228 employees, representing a decrease of 163 employees or 3.7% as compared to 4,391 employees at the end of last year. The decrease was mainly attributable to specific measures taken by the Company to further optimize the talent structure. As at 30 June 2019, employees with senior titles or above, employees with intermediate titles and employees with or without primary titles accounted for 26.11%, 34.65% and 39.24% of the total number of employees of the Group, respectively, of which, the proportion of employees with intermediate titles and senior titles increased.

### EVENTS AFTER THE BALANCE SHEET DATE

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

### PROFIT DISTRIBUTION AND INTERIM DIVIDENDS

The Group currently proposes not to distribute interim profit or declare interim dividend.

### ORDERS

The Company overcame difficulties in the context of changing policies on the development of rail transit. pushed forward to actively expand the market with a focus on the synergy in the entire rail transit industry chain. As at 30 June 2019, the Company realized an aggregate winning bid amount of RMB3,054.0529 million. Among which, the winning bid amount of the design, survey and consultancy business segment was RMB1,041.3939 million, of which the projects were carried out in Beijing, Chongqing, Changchun, Shaoxing, Xiong'an and other cities; and the winning bid amount of the construction contracting business segment was RMB2,012.659 million, of which the projects were carried out in Beijing, Nanjing, Jinan and other cities. As of the end of the Reporting Period, contract value on hand amounted to RMB36,811 million.



### **WORKING GUIDANCE FOR THE SECOND HALF OF THE YEAR**

In the second half of 2019, despite the fierce market competition, the Company took matters into our own strategic stride, focus on mainline of development, intensively developing design business, general construction contracting and actively developing new business, with determination, effective organization and powerful execution, ensuring both the quality and quantity to continuously promote high-quality development of the Company.

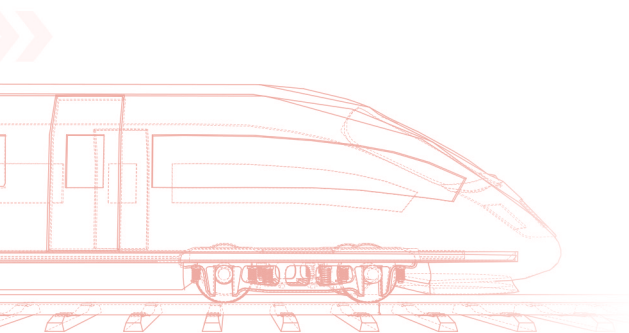
In the second half of 2019, details of the Company's management measures are divided into four aspects as follows:

#### **I. Insist on scale development for design and consultation sector**

Focus on potential market in Shenzhen, Chongqing, Chengdu, Wuxi, Qingdao, Weihai, Daqing, Hangzhou, Xiong'an and Ningbo, strive to gain the first-mover market advantage through gaining of preliminary projects, focus on synergetic marketing with design for urban rail transit as the lead, achieve growth in business synergy by driving the open-up of underground space, utility tunnel, municipal civil construction, accelerate international business layout, integrate internal resource, develop through cooperation, strive to make new breakthroughs in external market by cooperating with Chinese corporation under "Belt and Road Initiative"

#### **II. Insist on stable development in construction contracting sector**

Earnestly work on the performance and marketing of market projects on hand, pay attention to marketing district such as Shandong, Tianjin, Yangtze River Delta, the Western part and the Central part; strengthen the project management with the principle of "clear responsibility, clear objectives, clear process and clear results" and "be fair in meting out rewards or punishments", perform preliminary planning, process supervising and settlement, auditing improve profitability through continuous enhancement of refined management level.



Continuously optimize on technological and research innovation transformation system, put forward Wuyishan, Dujiangyan and Foshan Guangdong as marketing focus, further expand market share of modern tram smart control system : combine the implementation of Kunming Line 4 PPP project, enhance publicity and promotion on system Junlongyun, strive to gain new orders in markets such as Qingdao, Shaoxing and Turkey, accelerate the research and development and promotion of new light rail vehicle and the development and promotion of system products, fully utilized the powerful role of market expansion of modern tram by organizing resources, achieving new breakthroughs and promoting faster development of modern tram business.

### **III. Persistently enable advancement through technology and continuously strengthen innovation**

Persist in the target and put effort on promoting BIM technological application, ensuring the realization of target of application within 3 years, organize material academic communication activities such as 2019 key technical forum for urban rail transit, light rail sustainable development forum and urban rail transit mode classification and development forum, actively organise and promote the formulation of group standard.

### **IV. Strengthen management and control capabilities, upgrade the management standard of the Group.**

Conduct in-depth virtual legal person management, ensure virtual legal person unit independently implement authorized operational activities, continue to upgrade the level of corporate internal audit, risk early-warning assessment and legal risk prevention, enhance legal regulations trainings, legal promotions and legal consultation closely-related with corporate operational activities, enhance ERP system construction within the Group, realize upgrade and launch on new financial management system, complete the development of human resources data analysis platform and the second phrase of corporate university, optimize and upgrade online drawing review, design management and production management system to promote synergetic design and process.

### MARKET LANDSCAPE AND BUSINESS OUTLOOK

#### Urban rail transit are mainly railways, with multi-transit modes under coordinated development

The planned total investment amount for urban rail transit projects increased steadily in 2019, with continuous expansion of the scale of each of the urban railway lines that will gradually form a network. The urban rail transit will develop from single railway line system into network development pattern.

According to the statistics of China Association of Metros, as of 30 June 2019, there was an aggregate of 37 cities with rail transit operation in mainland China with a distance of 6,126.82 km. In the first half of 2019, there were two cities, namely Wenzhou and Jinan, that commenced rail transit operation. 12 cities including Wuhan, Shenyang, Harbin, Zhengzhou, Changsha, Ningbo, Nanchang, Lanzhou, Fuzhou, Nanning, Shijiazhuang and Urumqi also had new lines, new extensions or sections put into operation, among which Lanzhou had its rail transit operation for the first time. In the first half of 2019, there were a total of 365.32 km of added operating distance, with 12 new lines and 5 new extensions or sections put into operation.

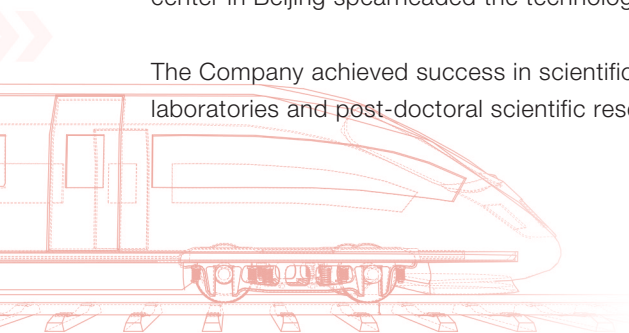
With industry situation remaining stable with changes in 2019, under relatively significant development pressure, the Company will maintain a leading position in the urban rail transit industry. With the bidding for general contracting for only 14 railway lines in the national urban rail transit market, the Company has actively explored in new business domains, which allowed it to secure the general contracting projects of 5 lines for northern extension of Hangzhou Line 3, Branch Line for Winter Olympic Games in Beijing, Tram Project in Bishan District, Chongqing and Beijing Line 13 (Line A and Line B), and win the bid for over 30 preliminary projects.

#### Rail transit in coordination with innovation construction

The construction of the “national engineering laboratories for green and safe construction technologies of urban rail transit” led by the Company has been advancing at a moderate pace. Besides, the site selection of rural laboratory base has been initially determined and the Company has commenced to roll out construction proposals on the laboratory base. The Company obtained the “underground infrastructure multi-dimensional online automatic detection and intelligent identification technology” under a national key research and development program of the Ministry of Science and Technology.

The set-up of the post-doctoral scientific research workstation was approved by Beijing Municipal Human Resources and Social Security Bureau. The enterprise innovation center, center of railway structure and energy conservation center in Beijing spearheaded the technological advancement of the industry.

The Company achieved success in scientific research and innovation, along with the operation of national engineering laboratories and post-doctoral scientific research workstation.



### PPP

Since 2019, against the backdrop of the decision and deployment by the Central Committee of the Communist Party of China and the State Council on strengthening the weaknesses in infrastructures and the prevention and mitigation of the hidden debt risks in local governments, we have been reinforcing the investment and construction management of PPP projects, enhancing scientific decision on PPP projects, which has become our daily practice in PPP management and demonstrated the policy orientation for high-quality development of PPP projects. On one hand, in order to play its role in investment, increase investment return, standardize its investment behavior, and stimulate social investment vitality, the government has launched the “Regulation on Government Investment”; on the other hand, the introduction of the above document has strengthened the management and control of PPP projects.

In light of the more tightened macroeconomic policies and the work pace of prudent control over PPP projects in recent years. At present, the Company has a total of three PPP projects for municipal roads, namely Anqing Outer Ring North Road, Dianzhong Konggang Avenue and Zunyi Fengxin Expressway, which have successfully entered the operation stage. As of 30 June 2019, the project for Anqing Outer Ring North Road received available service fee, and operation and maintenance service fee of RMB864.8986 million, and the project for Dianzhong Konggang Avenue received available service fee, and operation and maintenance service fee of RMB361.3894 million. Such projects gained recognition from all circles for their high quality, high standard and high-efficient operation. The Company are proactively promoting the operation and organization of projects, which include the PPP project for Kunming Metro Line 4 (昆明4號線PPP項目), the Linxi Road Project in Pukou District, Nanjing (南京市浦口區林西路項目) and PPP Project of Shaoxing Rail Transit Line 1(紹興軌道交通1號線PPP項目).

### EPC

The second item under Chapter 15 of the “13th Five-Year Plan for Housing and Urban-Rural Development Business” issued by the MOHURD stated that: “Vigorously promote EPC projects and facilitate the deep integration of design, procurement, construction and other stages.” Currently, state-owned investment projects are vigorously promoting the EPC model.

The Company currently focuses on the mature marketing areas, including Shandong, Yangtze River Delta, West China, Central China with the Beijing market as the primary target. The Company will push forward the sustainable development of the regional markets by vigorously developing Tianjing, paying close attention to the market dynamics and expanding the subsequent engineering projects.

In the first half of 2019, the Company won biddings of a series of projects including Nanjing-Jurong Intercity Rail Transit Project (南京至句容城際軌道交通工程), 01 Contract Section for Civil Construction of Beijing Rail Transit New Airport Metro Line (Caoqiao – Lize financial business district (北京市軌道交通新機場線(草橋-麗澤金融商務區)工程土建施工01合同段)), 03 Contract Section for Civil Construction of West Section (Branch Line for Winter Olympic Games) of Beijing Rail Transit Line 11 (北京軌道交通11號線西段(冬奧支線)工程土建施工03合同段). 03 Section of West Section (Branch Line for Winter Olympic Games) of Beijing Rail Transit Line 11 is the first project of Winter Olympic Games obtained by the Company.

The traditional bidding model for subway market is changing. Each local government launches general contracting model for major bid sections. The Company will adjust ways in a timely manner and communicate actively with proprietors in the early period upon commencement of projects. Meanwhile, the Company will strengthen cooperation with state-owned enterprises and expand its own market share in the changing market.

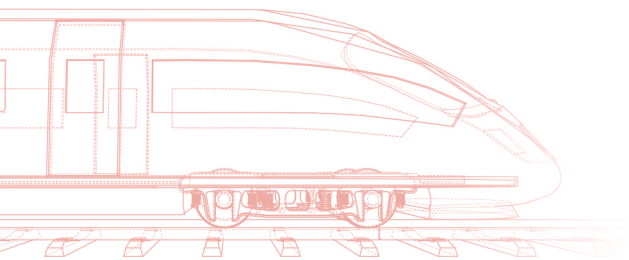
### UTILITY TUNNEL

The construction of utility tunnel projects adheres to the principle of adapting to local conditions and orderly progress, and strives to create a sustainable development market environment for utility tunnel. Relevant enterprises across the country have seen the market potential of utility tunnel, so many of them have stepped up their marketing and business development efforts in utility tunnel business. The market competition is becoming increasingly fierce. Expanding market share is very competitive especially in the core areas, key cities and pilot cities.

The Company won the bidding for Survey and Design Project of the Feasibility Study of Municipal Road, Integrated Utility Tunnel and Drainage Network System in the Hub Zone of Xiong'an Station (雄安站樞紐片區市政道路、綜合管廊、排水管網系統可研勘察設計), which is vital for the Company to expand the market and business. All the participants will provide creative and quality services for proprietors while following the principle of global vision, international standards, Chinese characteristics and high-goal positioning in Xiong'an. The Company will perform the obligations and build a skilled and highly professional team, laying foundation for the subsequent expansion of tunnel and municipal market of the Company. Besides, through maintaining a favourable interaction and close collaboration with government agencies and industry authorities such as local development and reform commissions, land resources and planning bureaus and housing and urban-rural development commissions, and the domestic well-known units, the Company intends to comply with the national and global development and construction needs, jointly cultivate underground space and tunnel market, maintain a pleasant atmosphere in the market, and steadily expand market share.

### Water Environment Comprehensive Improvement Project

At the end of 2018, the General Office of the State Council issued Guiding Opinion of the General Office of the State Council on Maintaining Efforts to Remedy Shortcomings in 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 points out that the treatment of odorous water bodies shall be addressed around the country. The local governments shall support water environment comprehensive treatment in key river basins and push forward the “Three-year Action Plan for Rural Residential Environment Renovation” so as to support toilet renovation in villages, improve the rural waste treatment and sewage treatment, and press ahead with the comprehensive development of villages. Meanwhile, the MOHURD will also focus on “improving urban infrastructure and disaster prevention of housing construction to improve urban carrying capacity and systemic development” in 2019.



In the first half of 2019, the Company, as the member of the consortium, won the bidding of PPP Project for Wastewater Treatment Project in Chengdai Village and Folk-custom Village for Tourism in Huairou District, the first time to be responsible for the construction and planning of the sewage treatment in villages. Pursuant to the Three years Plan for Optimizing Public Services and Infrastructure of Huilongguan and Tiantongyuan Areas (2018-2020), the Company was responsible for the implementation plan for the treatment of water points, and rainwater and sewerage diffidence system. Meanwhile, the development of projects including the comprehensive improvement project of airport area basin in Bao'an District, Shenzhen, EPC General Engineering Project for the second bidding section of Zhengben Qingyuan project in Pingshan District, Shenzhen, the waste intercepting projects of odorous water bodies and sewage water treatment in the villages in Beijing and the Focusing on Tackling Difficulties of Water Environment Improvement project in Beijing go well.

### **RAIL TRANSIT PROPERTY (TOD)**

Integrated development of TOD will largely enhance the living space and convenience, improve urban environment and push forward the urbanization. Meanwhile, it could save time and economic cost for railway users and reduce railway and traffic crowdedness so as to develop clean energy and build a livable society. Therefore, TOD has been increasingly recognized.

Currently, TOD project on hand by the Company includes Pingguoyuan transportation hub project with the total investment of RMB5 billion, which marks the beginning of the commercial development for the large transportation hubs in West Beijing, and acts as the landmark project for the integrated development of TOD in Beijing's transportation hubs. The project is positioned as the regional sub-centre of West Beijing, whose core design idea is to create a brand-new idea of sustainable development and social harmony on the platform of railway transportation hubs. Architectural creation developed from artworks to architectural products, finally commodities with function and commercial value could be realized, so as to achieve the balance and integration of society and economy.

With the construction of urban rail transit, the occupation of parking lots of subway and garage for repair and maintenance has become an important issue for the urban development as the depot covers a larger area, and the

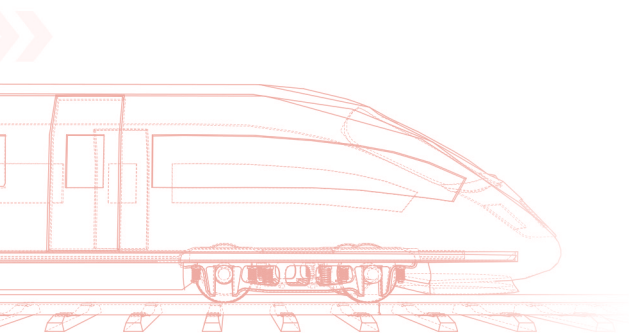


realization of single-functional depots is a waste of land resources. In order to improve the efficiency of land use, major domestic cities such as Beijing, Shanghai and Guangzhou have explored the property development on depots and achieved remarkable results. The depot projects on hand of the Company cover Beijing, Zhengzhou, Chengdu, Xiamen, Fuzhou and other places in 2019.

### **INDUSTRIALISATION**

According to the incomplete statistics of Market Analysis of China Rail Transit Equipment Industry and Panoramic Survey on Corporate Strategy for Business Development, at least 56 cities in mainland China commence building urban rail transit, and at least 254 urban rail transit lines are under construction with length of more than 6000km. As domestic rail transit construction continuously develops and the international market continuously expands, the prospect of domestic rail transit enterprises is very bright. It is estimated that the market size of the domestic rail transit equipment industry market will increase to RMB872.5 billion by 2022.

In the first half of 2019, the technology industrialization sector has made further progress in the four major product systems including intelligent control products of tram, track products, metro automation products and industrial intelligent control products. Among which, a continuous and stable growth of tram market was seen, there were orders of track products from overseas market and metro automation was gradually implemented in Kunming with substantial progress. Meanwhile, the Company vigorously developed emerging markets such as industrial smart control areas and smart city, and developed into a series of products with multi-transit modes.



## THE INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES

### The interests and short positions of Directors, Supervisors and chief executive in the Shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2019, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code, were as follows:

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

*Note:*

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

Save as disclosed above, as at 30 June 2019, none of the other Directors and Supervisors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company (including their spouses or children under the age of 18) were authorized by the Company any rights to subscribe for the shares or debentures of the Company or any associated corporations.

## CHANGE OF THE BOARD AND THE BOARD OF SUPERVISORS

### Change of Directors

Reference is made to the announcement of the Company dated 19 July 2019, Mr. Yim Fung has tendered his resignation from his position as an independent non-executive Director and member of the Remuneration Committee of the Board of the Company due to change in work arrangement, with effect from the date of approval for the new appointment of independent non-executive Director at the shareholders' general meeting of the Company.

Relevant resolutions have been passed at the Board meeting of the Company held on 31 July 2019 to propose the appointment of Mr. Ma Xufei as the independent non-executive Director, to fill in the vacancy with the resignation of Mr. Yim Fung. The appointment is subject to the approval by the shareholders of the Company at an extraordinary general meeting by way of an ordinary resolution. For details, please refer to the announcement of the Company dated 31 July 2019.

### Change of Supervisors

Reference is made to the announcement of the Company dated 19 July 2019, Ms. Zhao Hong has tendered her resignation from her position as a Supervisor of the Company on 19 July 2019 with immediate effect due change in to work arrangement.

Relevant resolutions have been passed at the Board of Supervisors of the Company held on 31 July 2019 to propose the appointment of Mr. Liang Wangnan as a Supervisor, to fill in the vacancy with the resignation of Ms. Zhao Hong. The appointment is subject to the approval by the shareholders of the Company at an extraordinary general meeting by way of an ordinary resolution. For details, please refer to the announcement of the Company dated 31 July 2019.

As at the date of this report, the members of the Board are:

Mr. WANG Hanjun (*Executive Director*)  
Mr. LI Guoqing (*Executive Director*)  
Mr. SHI Yubin (*Chairman, Non-executive Director*)  
Mr. TANG Shuchang (*Non-executive Director*)  
Ms. WU Donghui (*Non-executive Director*)  
Mr. GUAN Jifa (*Non-executive Director*)  
Mr. REN Yuhang (*Non-executive Director*)  
Mr. SU Bin (*Non-executive Director*)  
Mr. YU Xiaojun (*Non-executive Director*)  
Mr. REN Chong (*Non-executive Director*)  
Mr. WANG Dexing (*Independent Non-executive Director*)  
Mr. YIM Fung (*Independent Non-executive Director*)  
Mr. SUN Maozhu (*Independent Non-executive Director*)  
Mr. LIANG Qinghuai (*Independent Non-executive Director*)  
Mr. QIN Guisheng (*Independent Non-executive Director*)

As at the date of this report, the members of the Board of Supervisors are:

Mr. YUAN Guoyue (*Chairman of the Board of Supervisors*)

Ms. NIE Kun (*Supervisor*)

Mr. CHEN Rui (*Supervisor*)

Ms. Zhao Hong (*Supervisor, resigned on 19 July 2019*)

Mr. Zuo Chuanchang (*Independent Supervisor*)

Ms. YANG Huiju (*Employee Representative Supervisor*)

Mr. LIU Hao (*Employee Representative Supervisor*)

Mr. BAN Jianbo (*Employee Representative Supervisor*)

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its code for securities transactions by its Directors and Supervisors. Having made specific enquiries with all of the Directors and Supervisors, all of them have confirmed that they had complied with the abovementioned code during the Reporting Period.

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

### Substantial shareholders' interests and short positions in the Shares and underlying shares of the Company

As at 30 June 2019, so far as was known to the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the Shares and underlying shares of the Company as otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO were as follows:

#### Domestic Shares

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

## Other Information (Continued)

### Notes:

1. Beijing Urban Construction Group Co., Ltd. was incorporated by the Beijing Municipal Government.
2. Beijing Infrastructure Investment Co., Ltd. is a wholly state-owned enterprise established and funded by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.
3. The general partner of Beijing Jingguofa Equity Investment Fund (Limited Partnership) is Beijing Jingguofa Investment Management Co., Ltd. The 100% equity interest in Beijing Jingguofa Investment Management Co., Ltd. is held by Baoding Taihangheyi Cement Co., Ltd. In addition, Beijing State-owned Capital Operation and Management Center is a limited partner holding 64.99% interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership). Each of the entities above was deemed to have interests in the same number of shares as Beijing Jingguofa Equity Investment Fund (Limited Partnership).
4. The general partner of Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is Beijing Bodao Investment Advisory Center (Limited Partnership), while the general partner of Beijing Bodao Investment Advisory Center (Limited Partnership) is Beijing Legend Capital Co., Ltd. Beijing Junqijiarui Enterprise Management Co., Ltd. holds 45.00% equity interest in Beijing Legend Capital Co., Ltd. Each of the entities above was deemed to have interests in the same number of shares as Tianjin Jun Rui Qi Equity Investment Partnership (LLP).
5. Among which, 18,270,000 Domestic Shares were issued for connected subscriptions. For further details, please refer to the circular published by the Company on 7 December 2017 and the announcement published by the Company on 5 February 2018.

### H Shares

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Amundi Asset Management	Investment Manager	62,037,000	Long position	15.99%	4.60%
Amundi Ireland Ltd	Investment Manager	81,494,000	Long position	21.01%	6.04%
Beijing Infrastructure Investment Co., Ltd <sup>(1)</sup>	Interest of controlled corporations	68,222,000	Long position	17.59%	5.06%
Beijing Infrastructure Investment (Hong Kong) Limited <sup>(1)</sup>	Beneficial Owner	68,222,000	Long position	17.59%	5.06%
Pioneer Investment Management Limited	Investment Manager	66,028,000	Long position	17.02%	4.90%
Pioneer Asset Management S.A.	Investment Manager	52,777,000	Long position	13.60%	3.91%
CRRC Group	Interest of controlled corporations <sup>2</sup>	26,222,000	Long position	6.76%	1.94%

*Notes:*

1. Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司) indirectly held interests in 68,222,000 H Shares of the Company through its wholly-owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司).
2. CRRC Group (formerly known as CSR Group Limited) held interests in 26,222,000 H Shares through its controlled corporations, CRRC Corporation Limited (formerly known as CSR Corporation Limited) and CRRC (Hong Kong) Co., Ltd. (formerly known as CSR (Hong Kong) Co. Ltd).

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other person (other than the Directors, Supervisors or the chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company otherwise notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any securities of the Company.

## **CORPORATE GOVERNANCE**

The Company strictly complies with various applicable regulatory laws, rules and regulations as well as the Articles of Association to standardize its operation. During the Reporting Period, the Company followed the relevant requirements under the Corporate Governance Code and established a sound corporate governance system, operated and run in accordance with corporate governance documents, continuously enhanced and improved the corporate governance level of the Company. Currently, the corporate governance documents of the Company mainly include: the Articles of Association, the Rules of Procedure for the General Meeting of Beijing Urban Construction Design & Development Group Co., Limited, the Rules of Procedure for the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Rules of Procedure for the Board of Supervisors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Audit Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Nomination Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Remuneration Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Terms of Reference of the Overseas Risk Control Committee under the Board of Directors of Beijing Urban Construction Design & Development Group Co., Limited, the Administrative Measures on Information Disclosure of Beijing Urban Construction Design & Development Group Co., Limited, the Administrative Measures on Connected Transactions of Beijing Urban Construction Design & Development Group Co., Limited. The Board has adopted the Model Code as its rules for securities transactions by the Directors and Supervisors. So far as the Board is aware, during the Reporting Period, the Company had complied with various applicable regulatory laws, rules and regulations, the Articles of Association and the requirements of the code provisions under the Corporate Governance Code and published the documents and information required to be disclosed on the websites of the Company and the Hong Kong Stock Exchange.



### **MATERIAL LITIGATION AND ARBITRATION**

During the Reporting Period, the Group was not engaged in any litigation or arbitration that would have a material effect on its operating activities.

### **REVIEW OF INTERIM REPORT**

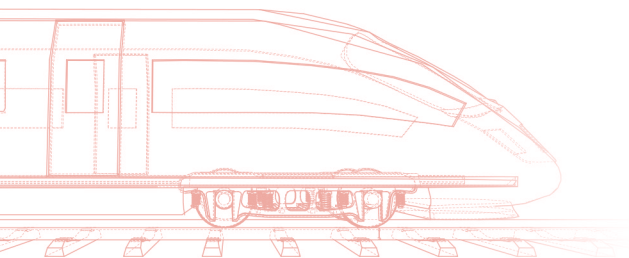
Ernst & Young, the auditor of the Company, has reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

The Audit Committee of the Company has reviewed the interim report of the Group for the six months ended 30 June 2019 and the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

### **PUBLIC FLOAT**

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

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



## MAJOR ASSET OPERATION

At the 2017 annual general meeting, the 2018 first Domestic Shares Class Meeting and the 2018 first H Shares Class Meeting of the Company held on 29 May 2018, the Company considered and approved, among other things, the resolution on the issuance plan of application for the Company's initial public offering and listing of A shares. At the 2018 annual general meeting, the 2019 first Domestic Shares Class Meeting and the 2019 first H Shares Class Meeting of the Company held on 29 May 2019, the Company considered and approved, among other things, the resolution on the extension of the term of the issuance plan of application for the Company's of the initial public offering and listing of A shares.

On 20 June 2019, the Company submitted to China Securities Regulatory Commission the full set of application materials for A-share issuance, including the Prospectus (Application Proof) of the Initial Public Offering (A-Share) of Beijing Urban Construction Design & Development Group Co., Limited, in accordance with the requirements of relevant laws and regulations, and received the China Securities Regulatory Commission's Acceptance Notice on Administrative Approval Application (No. 191708) dated 27 June 2019 issued by the China Securities Regulatory Commission on 1 July 2019.

The progress on the A-share issuance of the Company will depend on the review by the China Securities Regulatory Commission and the A share market.

# Report on Review of Interim Condensed Consolidated Financial Statements



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## To the shareholders of Beijing Urban Construction Design & Development Group Co., Limited

*(A joint stock limited liability company established in the People's Republic of China)*

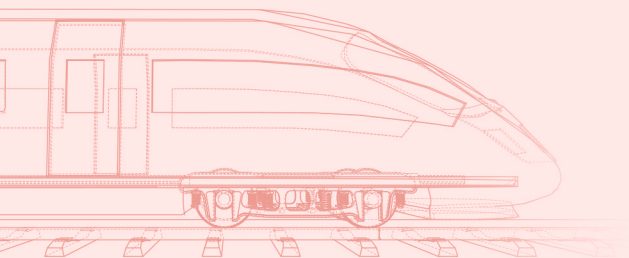
### INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### ***Ernst & Young***

Certified Public Accountants

Hong Kong

28 August 2019

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
REVENUE	4	<b>3,583,947</b>	3,418,215
Cost of sales	6	<b>(2,824,189)</b>	(2,772,583)
Gross profit		<b>759,758</b>	645,632
Other income and gains	4	<b>175,698</b>	172,357
Selling and distribution expenses		<b>(29,008)</b>	(33,512)
Administrative expenses		<b>(343,430)</b>	(309,957)
Impairment losses on financial and contract assets, net		<b>(72,737)</b>	(48,326)
Other expenses		<b>(48)</b>	(9,450)
Finance costs	5	<b>(113,346)</b>	(83,203)
Share of profits and losses of:			
Joint ventures		<b>(6,762)</b>	2,419
Associates		<b>1,225</b>	2,243
PROFIT BEFORE TAX	6	<b>371,350</b>	338,203
Income tax expense	7	<b>(62,880)</b>	(69,023)
PROFIT FOR THE PERIOD		<b>308,470</b>	269,180
Profit attributable to:			
Owners of the parent		<b>304,336</b>	262,771
Non-controlling interests		<b>4,134</b>	6,409
		<b>308,470</b>	269,180
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		<b>(24)</b>	(35)
Other comprehensive income/(loss) that will not to 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		<b>3,800</b>	–
Re-measurement gain/(loss) on defined benefit plans, net of tax		<b>370</b>	(4,190)

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods, net of tax		<b>4,170</b>	(4,190)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<b>4,146</b>	(4,225)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>312,616</b>	264,955
Attributable to:			
Owners of the parent		<b>308,482</b>	258,546
Non-controlling interests		<b>4,134</b>	6,409
		<b>312,616</b>	264,955
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	9	<b>0.23</b>	0.19



# Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	539,019	498,519
Prepaid land lease payments		–	221,170
Right-of-use assets		436,234	–
Intangible assets		40,013	7,074
Investments in joint ventures		466,459	103,130
Investments in associates		99,272	98,679
Financial assets at fair value through profit or loss	13	76,500	–
Equity investments designated at fair value through other comprehensive income	12	12,450	8,650
Deferred tax assets		147,818	128,537
Financial receivables	14	2,761,191	2,897,230
Contract assets	11	1,752,772	1,478,469
Prepayments, other receivables and other assets	16	195,979	354,051
Total non-current assets		6,527,707	5,795,509
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		–	5,152
Inventories		116,949	99,947
Trade and bills receivables	15	3,632,891	3,254,521
Prepayments, other receivables and other assets	16	874,463	712,563
Contract assets	11	2,675,025	2,311,571
Financial assets at fair value through profit or loss	13	95,713	–
Financial receivables	14	456,726	309,235
Pledged deposits	17	22,371	21,214
Cash and bank balances	17	2,974,070	3,892,576
Total current assets		10,848,208	10,606,779
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	18	3,175,512	2,849,156
Other payables and accruals	19	3,970,042	3,892,892
Interest-bearing bank and other borrowings	20	664,242	508,400
Provisions for supplementary retirement benefits		3,730	3,690
Tax payable		40,253	38,646
Provision		19,544	27,121
Total current liabilities		7,873,323	7,319,905
<b>NET CURRENT ASSETS</b>		2,974,885	3,286,874
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,502,592	9,082,383

# Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>4,413</b>	4,038
Interest-bearing bank and other borrowings	20	<b>4,369,780</b>	4,098,225
Provisions for supplementary retirement benefits		<b>65,896</b>	65,836
Other payables and accruals	19	<b>269,426</b>	292,131
Provision		<b>46,536</b>	39,048
Total non-current liabilities		<b>4,756,051</b>	4,499,278
Net assets		<b>4,746,541</b>	4,583,105
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>1,348,670</b>	1,348,670
Reserves		<b>3,129,040</b>	2,969,181
		<b>4,477,710</b>	4,317,851
Non-controlling interests		<b>268,831</b>	265,254
Total equity		<b>4,746,541</b>	4,583,105

**Wang Hanjun**  
Director

**Li Guoqing**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2019

	Attributable to owners of the parent									
	Share capital	Capital reserve	Financial assets at fair value		Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
			revaluation reserve	Special reserve						
			RMB'000	RMB'000						
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 31 December 2018	<u>1,348,670</u>	<u>735,116</u>	<u>-</u>	<u>-</u>	<u>249,379</u>	<u>5</u>	<u>1,984,681</u>	<u>4,317,851</u>	<u>265,254</u>	<u>4,583,105</u>
Profit for the period	-	-	-	-	-	-	304,336	304,336	4,134	308,470
Other comprehensive income/ (loss) for the period:										
Re-measurement gain on defined benefit plans, net of tax	-	370	-	-	-	-	-	370	-	370
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	3,800	-	-	-	-	3,800	-	3,800
Exchange differences on translation of foreign operations	-	-	-	-	-	(24)	-	(24)	-	(24)
Total comprehensive income/ (loss) for the period	-	370	3,800	-	-	(24)	304,336	308,482	4,134	312,616
Final 2018 dividend declared	-	-	-	-	-	-	(148,623)	(148,623)	-	(148,623)
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	(557)	(557)
Transfer to special reserve (note (i))	-	-	-	35,029	-	-	(35,029)	-	-	-
Utilisation of special reserve (note (i))	-	-	-	(35,029)	-	-	35,029	-	-	-
At 30 June 2019	<u>1,348,670</u>	<u>735,486*</u>	<u>3,800*</u>	<u>-*</u>	<u>249,379*</u>	<u>(19)*</u>	<u>2,140,394*</u>	<u>4,477,710</u>	<u>268,831</u>	<u>4,746,541</u>

# Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six-month period ended 30 June 2019

	Attributable to owners of the parent								Total equity RMB'000 (Unaudited)							
	Share capital RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Special reserve RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non- controlling interests RMB'000 (Unaudited)								
										Total						
										RMB'000 (Unaudited)						
At 31 December 2017	<u>1,348,670</u>	<u>743,558</u>	<u>-</u>	<u>195,792</u>	<u>227</u>	<u>1,632,329</u>	<u>3,920,576</u>	<u>262,742</u>	<u>4,183,318</u>							
Adjustment of adoption of IFRS 9, net of tax	-	(1,252)	-	-	-	(22,385)	(23,637)	(463)	(24,100)							
At 1 January 2018	1,348,670	742,306	-	195,792	227	1,609,944	3,896,939	262,279	4,159,218							
Profit for the period	-	-	-	-	-	262,771	262,771	6,409	269,180							
Other comprehensive income for the period:																
Re-measurement loss on defined benefit plans, net of tax	-	(4,190)	-	-	-	-	(4,190)	-	(4,190)							
Exchange differences on translation of foreign operations	-	-	-	-	(35)	-	(35)	-	(35)							
Total comprehensive income for the period	-	(4,190)	-	-	(35)	262,771	258,546	6,409	264,955							
Acquisition of a subsidiary	-	-	-	-	-	-	-	8,177	8,177							
Final 2017 dividend declared	-	-	-	-	-	(134,058)	(134,058)	-	(134,058)							
Dividend declared to non- controlling shareholders	-	-	-	-	-	-	-	(9,600)	(9,600)							
Transfer to special reserve <i>(note (i))</i>	-	-	33,508	-	-	(33,508)	-	-	-							
Utilisation of special reserve <i>(note (i))</i>	-	-	(33,508)	-	-	33,508	-	-	-							
At 30 June 2018	<u>1,348,670</u>	<u>738,116</u>	<u>-</u>	<u>195,792</u>	<u>192</u>	<u>1,738,657</u>	<u>4,021,427</u>	<u>267,265</u>	<u>4,288,692</u>							

\* These reserve accounts comprise the consolidated reserves of RMB3,129,040,000 (Unaudited) in the interim condensed consolidated statement of financial position as at 30 June 2019.

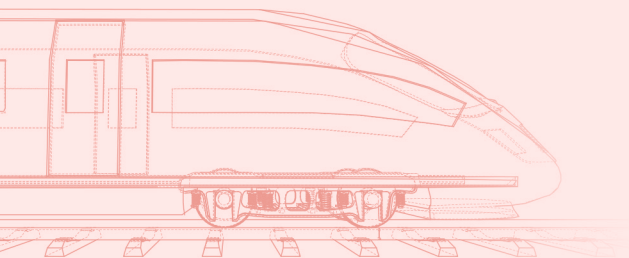
Note:

(i) In preparation of the interim condensed consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the six months ended 30 June 2019 and 2018 respectively, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expense to profit or loss when such expenses were incurred, and at the same time an equal amount of such special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

# Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>371,350</b>	338,203
Adjustments for:			
Finance costs	5	<b>113,346</b>	83,203
Interest income	4	<b>(170,638)</b>	(162,450)
Share of losses and profits of associates and joint ventures		<b>5,537</b>	(4,662)
Depreciation of right-of-use assets	6	<b>43,027</b>	–
Depreciation of items of property, plant and equipment	6	<b>35,707</b>	31,848
Impairment of trade receivables, net	6	<b>60,076</b>	48,052
Impairment of other receivables, net	6	<b>6,082</b>	(417)
Provision for foreseeable losses on contracts, net	6	<b>3,354</b>	9,701
Others		<b>7,540</b>	(1,404)
		<b>475,381</b>	342,074
Increase in inventories		<b>(17,002)</b>	(5,688)
Changes in contract assets		<b>(637,190)</b>	(3,352,843)
Changes in amounts due from/to contract customers		<b>–</b>	410,317
Increase in trade and bills receivables		<b>(445,980)</b>	(914,628)
Decrease in prepayments, other receivables and other assets		<b>1,205</b>	458,247
(Increase)/decrease in financial receivables		<b>(11,465)</b>	789,063
Increase/(decrease) in trade and bills payables		<b>326,355</b>	(52,312)
(Decrease)/increase in other payables and accruals		<b>(9,728)</b>	1,656,122
Decrease in provision		<b>(3,443)</b>	–
Increase in provisions for supplementary retirement benefits		<b>430</b>	70
Cash used in operations		<b>(321,437)</b>	(669,578)
Interest received		<b>30,779</b>	28,761
Income tax paid		<b>(80,180)</b>	(93,159)
Net cash flows used in operating activities		<b>(370,838)</b>	(733,976)



# Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(72,488)</b>	(30,018)
Additions to intangible assets		<b>(34,566)</b>	(596)
Additions of financial assets at fair value through profit or loss		<b>(171,500)</b>	(265,000)
Addition of investment in a joint venture		<b>(370,092)</b>	–
Proceeds from disposal of items of property, plant and equipment		<b>17</b>	(379)
Proceeds from disposal of financial assets at fair value through profit or loss		<b>–</b>	202,815
Dividends received from associates and joint ventures		<b>632</b>	32
Withdrawal of borrowings to a joint venture and an associate		<b>99,907</b>	405,000
Acquisition of subsidiaries, net of cash acquired		<b>–</b>	1,297
Increase in non-pledged time deposits with original maturity of more than three months		<b>(1,000)</b>	–
(Increase)/decrease in pledged deposits		<b>(1,157)</b>	8,378
Net cash flows (used in)/from investing activities		<b>(550,247)</b>	321,529
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		<b>(103,498)</b>	(69,922)
Dividend paid to shareholders		<b>(71,303)</b>	–
Dividend paid to non-controlling shareholders		<b>(492)</b>	(9,600)
Principal portion of lease payments		<b>(33,824)</b>	–
New bank and other borrowings		<b>290,737</b>	599,589
Repayment of bank and other borrowings		<b>(80,000)</b>	(80,000)
Net cash flows from financing activities		<b>1,620</b>	440,067
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(919,465)</b>	27,620
Cash and cash equivalents at beginning of period		<b>3,892,376</b>	3,381,687
Effect of exchange rate changes on cash and cash equivalents		<b>(41)</b>	2,923
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17	<b>2,972,870</b>	3,412,230



## 1. CORPORATE INFORMATION

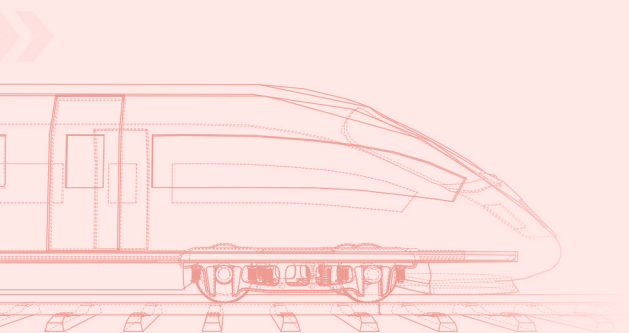
Beijing Urban Construction Design & Development Group Co., Limited (the “Company”) began its operations in 1958 in the PRC as a state-owned professional survey and design institute founded specifically for the survey and design of Beijing Subway Line 1. Subsequent to a series of reorganisations, the 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 period, 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”) arrangement

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.



## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) and in compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

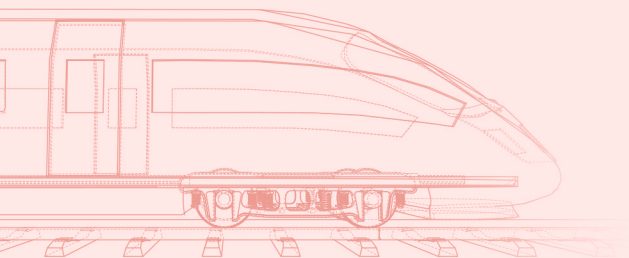
- (a) IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact for leases where the Group is the lessor.

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

#### ***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.



## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

#### (a) Adoption of IFRS 16 (Continued)

##### *New definition of a lease (Continued)*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

##### *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, 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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

#### (a) Adoption of IFRS 16 (Continued)

##### *As a lessee – Leases previously classified as operating leases (Continued)*

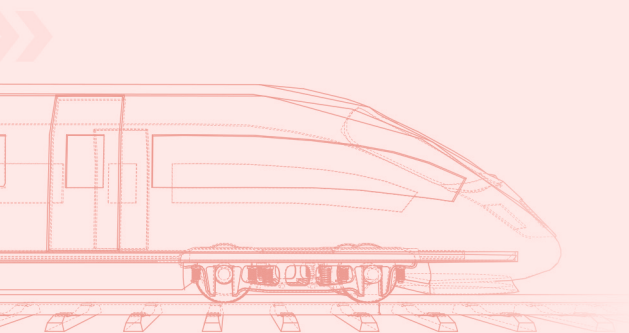
Impacts on transition

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:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied 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.



## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

#### (a) Adoption of IFRS 16 (Continued)

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	389,586
Decrease in prepayments, other receivables and other assets	(36,542)
Decrease in prepaid land lease payments	<u>(226,323)</u>
Increase in total assets	<u><u>126,721</u></u>
Liabilities	
Increase in interest-bearing bank and other borrowings	<u>126,721</u>
Increase in total liabilities	<u><u>126,721</u></u>



## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

#### (a) Adoption of IFRS 16 (Continued)

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

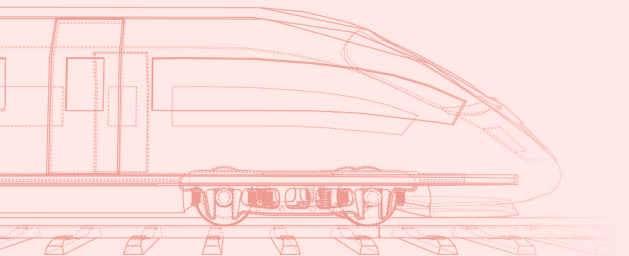
	RMB'000 (Unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	187,467
Weighted average incremental borrowing rate as at 1 January 2019	4.78%
Discounted operating lease commitments as at 1 January 2019	149,012
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>(22,291)</u>
<b>Lease liabilities as at 1 January 2019</b>	<b><u>126,721</u></b>

#### *Summary of new accounting policies*

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.



## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

#### (a) Adoption of IFRS 16 (Continued)

##### *Right-of-use assets (Continued)*

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

##### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

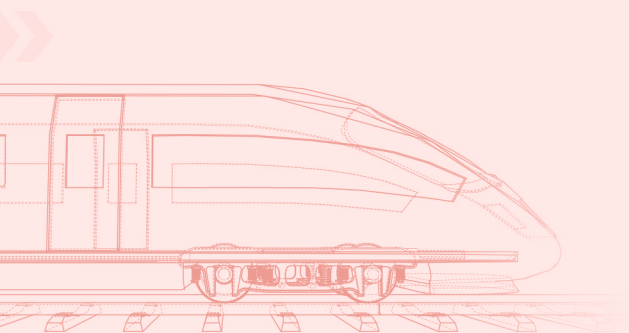
#### (a) Adoption of IFRS 16 (Continued)

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment and land for additional terms of several years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.



## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

#### (a) Adoption of IFRS 16 (Continued)

##### *Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss*

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follows:

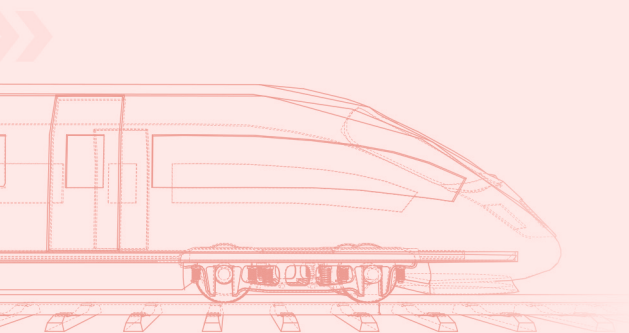
	Right-of-use assets			Sub-total	Lease liabilities
	Buildings	Motor vehicles	Land lease payments		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>As at 1 January 2019</b>	151,736	11,527	226,323	389,586	(126,721)
Additions	86,995	2,680	–	89,675	(89,675)
Depreciation charge	(37,472)	(3,349)	(2,206)	(43,027)	–
Interest expense	–	–	–	–	(3,717)
Payments	–	–	–	–	33,824
<b>As at 30 June 2019</b>	<u>201,259</u>	<u>10,858</u>	<u>224,117</u>	<u>436,234</u>	<u>(186,289)</u>

The Group recognised rental expenses from short-term lease of RMB19,144,000 and variable lease payments not based on index or rate of RMB47,970,000 for the six months ended 30 June 2019.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

- (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 continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (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 significant impact on the Group's interim condensed consolidated financial information.



### 3. OPERATING SEGMENT INFORMATION

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

- (a) Design, survey and consultancy – this segment engages in the provision of services on designing, surveying and mapping, monitoring and consulting services in the engineering of urban rail transit, municipal management and construction; and
- (b) Construction contracting – this segment engages in the provision of services relating to urban rail transit and the service concession arrangements under the BOT arrangements.

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

Segment assets exclude deferred tax assets, unallocated cash and bank balances, unallocated pledged deposits and unallocated financial products included in financial assets at fair value through profit or loss as these assets are managed on a group basis.

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

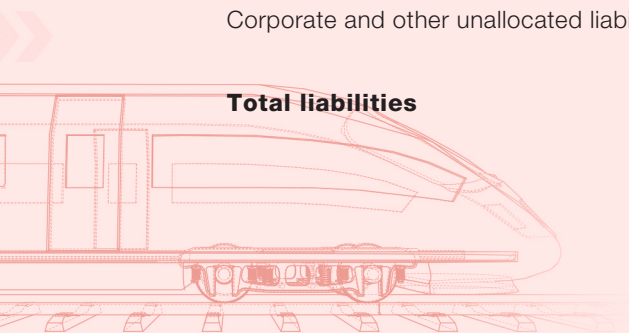
Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



30 June 2019

**3. OPERATING SEGMENT INFORMATION (CONTINUED)****Six-month period ended 30 June 2019**

	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>				
Sales to external customers	1,862,779	1,721,168	-	3,583,947
Intersegment sales	4,450	-	(4,450)	-
<b>Total revenue</b>	<b>1,867,229</b>	<b>1,721,168</b>	<b>(4,450)</b>	<b>3,583,947</b>
<b>Segment results</b>	<b>324,245</b>	<b>(5,265)</b>	<b>(4,922)</b>	<b>314,058</b>
Finance costs	(2,726)	(110,620)	-	(113,346)
Interest income	303	162,745	-	163,048
Profit of segments for the period	<b>321,822</b>	<b>46,860</b>	<b>(4,922)</b>	<b>363,760</b>
Unallocated interest income				7,590
Income tax expense				(62,880)
<b>Profit for the period</b>				<b>308,470</b>
<b>Segment assets</b>	<b>6,820,287</b>	<b>9,732,032</b>	<b>(576,251)</b>	<b>15,976,068</b>
Corporate and other unallocated assets				1,399,847
<b>Total assets</b>				<b>17,375,915</b>
<b>Segment liabilities</b>	<b>5,175,042</b>	<b>8,100,068</b>	<b>(690,402)</b>	<b>12,584,708</b>
Corporate and other unallocated liabilities				44,666
<b>Total liabilities</b>				<b>12,629,374</b>

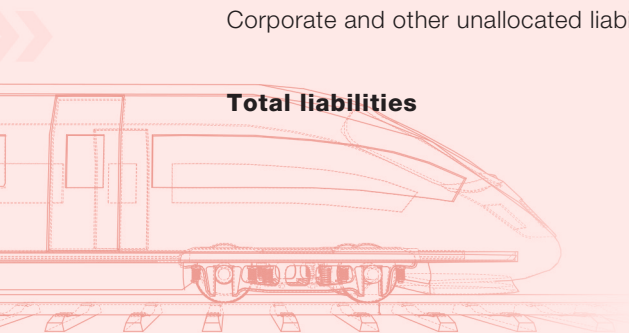


**3. OPERATING SEGMENT INFORMATION (CONTINUED)****Six-month period ended 30 June 2019 (Continued)**

	<b>Design, survey and consultancy RMB'000 (Unaudited)</b>	<b>Construction contracting RMB'000 (Unaudited)</b>	<b>Eliminations RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Other segment information:</b>				
Share of profits and losses of:				
Joint ventures	<b>(6,762)</b>	-	-	<b>(6,762)</b>
Associates	<b>1,225</b>	-	-	<b>1,225</b>
Depreciation	<b>54,664</b>	<b>24,070</b>	-	<b>78,734</b>
Amortisation	<b>1,626</b>	-	-	<b>1,626</b>
Provision for				
– foreseeable losses on contracts, net	<b>3,354</b>	-	-	<b>3,354</b>
– impairment on trade and bills receivables, other receivables, financial receivables and contract assets, net	<b>21,788</b>	<b>50,949</b>	-	<b>72,737</b>
Investments in joint ventures	<b>466,459</b>	-	-	<b>466,459</b>
Investments in associates	<b>99,272</b>	-	-	<b>99,272</b>
Capital expenditure *	<b>140,190</b>	<b>60,305</b>	-	<b>200,495</b>

**3. OPERATING SEGMENT INFORMATION (CONTINUED)****Six-month period ended 30 June 2018**

	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>				
Sales to external customers	1,682,696	1,735,519	–	3,418,215
Intersegment sales	10,898	–	(10,898)	–
<b>Total revenue</b>	<u>1,693,594</u>	<u>1,735,519</u>	<u>(10,898)</u>	<u>3,418,215</u>
<b>Segment results</b>	224,287	41,801	(7,132)	258,956
Finance costs	–	(83,203)	–	(83,203)
Interest income	4,917	150,709	–	155,626
Profit of segments for the period	<u>229,204</u>	<u>109,307</u>	<u>(7,132)</u>	<u>331,379</u>
Unallocated interest income				6,824
Income tax expense				<u>(69,023)</u>
<b>Profit for the period</b>				<u>269,180</u>
<b>Segment assets</b>	5,325,474	8,485,269	(227,509)	13,583,234
Corporate and other unallocated assets				<u>1,630,726</u>
<b>Total assets</b>				<u>15,213,960</u>
<b>Segment liabilities</b>	4,473,962	6,457,921	(176,682)	10,755,201
Corporate and other unallocated liabilities				<u>170,067</u>
<b>Total liabilities</b>				<u>10,925,268</u>



**3. OPERATING SEGMENT INFORMATION (CONTINUED)****Six-month period ended 30 June 2018 (Continued)**

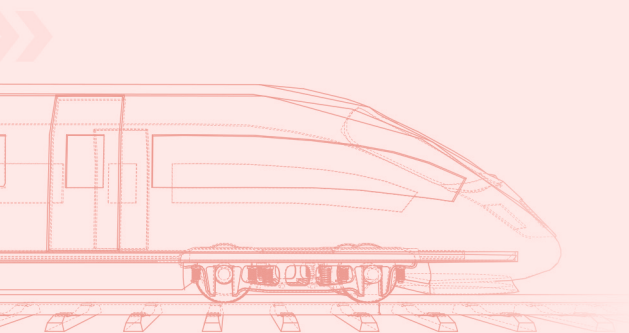
	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Other segment information:</b>				
Share of profits and losses of:				
Joint ventures	2,419	–	–	2,419
Associates	2,243	–	–	2,243
Depreciation	13,820	18,028	–	31,848
Amortisation	4,019	–	–	4,019
Provision for				
– foreseeable losses on contracts, net	10,066	(365)	–	9,701
– impairment of trade receivables, other receivables, financial receivables and contract assets, net	40,844	7,482	–	48,326
Investments in joint ventures	40,863	–	–	40,863
Investments in associates	96,560	–	–	96,560
Capital expenditure *	<u>34,635</u>	<u>8,261</u>	<u>–</u>	<u>42,896</u>

\* Capital expenditure mainly consists of additions to property, plant and equipment, right-of-use assets, prepaid land lease payments and intangible assets.

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<i>Revenue from contracts with customers</i>		
Design, survey and consultancy	<b>1,862,305</b>	1,682,272
Construction contracting	<b>1,720,305</b>	1,726,339
	<b>3,582,610</b>	3,408,611
<i>Revenue from other sources</i>		
Gross rental income	<b>1,337</b>	9,604
	<b>3,583,947</b>	3,418,215



**4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)****Revenue from contracts with customers****(i) Disaggregated revenue information**

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Type of goods or services</b>		
Design, survey and consultancy	<b>1,862,305</b>	1,682,272
Construction contracting	<b>1,720,305</b>	1,726,339
	<b><u>3,582,610</u></b>	<u>3,408,611</u>
<b>Timing of revenue recognition</b>		
Service transferred at a point in time	<b>19,105</b>	12,623
Service transferred over time	<b>3,563,505</b>	3,395,988
	<b><u>3,582,610</u></b>	<u>3,408,611</u>
<b>Geographical markets</b>		
China	<b>3,558,979</b>	3,344,534
Other countries	<b>23,631</b>	64,077
	<b><u>3,582,610</u></b>	<u>3,408,611</u>

30 June 2019

## 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### Revenue from contracts with customers (Continued)

#### (i) Disaggregated revenue information (Continued)

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

#### For the six-month period ended 30 June 2019 (Unaudited)

Segment	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
<b>Revenue from contracts with customers</b>			
External customers	1,862,305	1,720,305	3,582,610
Intersegment sales	4,450	-	4,450
	<u>1,866,755</u>	<u>1,720,305</u>	<u>3,587,060</u>
Intersegment adjustments and eliminations	(4,450)	-	(4,450)
Total revenue from contracts with customers	<u><u>1,862,305</u></u>	<u><u>1,720,305</u></u>	<u><u>3,582,610</u></u>

#### For the six-month period ended 30 June 2018 (Unaudited)

Segment	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
<b>Revenue from contracts with customers</b>			
External customers	1,682,272	1,726,339	3,408,611
Intersegment sales	10,898	-	10,898
	<u>1,693,170</u>	<u>1,726,339</u>	<u>3,419,509</u>
Intersegment adjustments and eliminations	(10,898)	-	(10,898)
Total revenue from contracts with customers	<u><u>1,682,272</u></u>	<u><u>1,726,339</u></u>	<u><u>3,408,611</u></u>



## 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### Revenue from contracts with customers (Continued)

#### (ii) Performance obligations

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

#### *Design, survey and consultancy services*

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

#### *Construction services*

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

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other income and gains</b>		
Interest income	<b>170,638</b>	162,450
Gains on disposal of financial assets at fair value through profit or loss	-	1,562
Fair value gains of financial assets at fair value through profit or loss	<b>713</b>	1,021
Government grants	<b>1,060</b>	83
Foreign exchange gains	-	2,958
Others *	<b>3,287</b>	4,283
	<b>175,698</b>	172,357

\* Others mainly represented other miscellaneous income.

## 5. FINANCE COSTS

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank and other borrowings	<b>109,629</b>	83,203
Interest on lease liabilities	<b>3,717</b>	-
	<b>113,346</b>	83,203

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2019

## 6. PROFIT BEFORE TAX

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

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of design, survey and consultancy services	<b>1,277,678</b>	1,183,638
Cost of construction contracts	<b>1,546,511</b>	1,588,945
<b>Total cost of sales</b>	<b>2,824,189</b>	2,772,583
Depreciation of items of property, plant and equipment	<b>35,707</b>	31,848
Depreciation of right-of-use assets	<b>43,027</b>	–
Amortisation of prepaid land lease payments	–	2,576
Amortisation of intangible assets	<b>1,626</b>	1,443
<b>Total depreciation and amortisation</b>	<b>80,360</b>	35,867
Impairment of bill receivables, net	<b>3,782</b>	–
Impairment of trade receivables, net	<b>60,076</b>	48,052
Impairment of financial receivables, net	<b>11</b>	453
Impairment of other receivables, net	<b>6,082</b>	(417)
Impairment of contract assets, net	<b>2,786</b>	238
Provision for foreseeable losses on contracts, net	<b>3,354</b>	9,701
Lease expenses	<b>67,114</b>	114,167
Auditor's remuneration	<b>1,850</b>	830
Employee benefit expenses (excluding Directors' and supervisors' remuneration):		
Wages, salaries and allowances	<b>555,402</b>	530,299
Retirement benefit costs		
– Defined contribution retirement schemes	<b>59,621</b>	57,228
– Defined benefit retirement schemes	<b>2,110</b>	1,830
<b>Total retirement benefit costs</b>	<b>61,731</b>	59,058
Welfare and other expenses	<b>129,247</b>	108,585
<b>Total employee benefit expenses</b>	<b>746,380</b>	697,942
Interest income	<b>(170,638)</b>	(162,450)
Government grants	<b>(1,060)</b>	(83)
Gains on disposal of financial assets at fair value through profit or loss	–	(1,562)
Loss/(gain) on disposal of items of property, plant and equipment, net	<b>31</b>	(11)
Foreign exchange differences, net	<b>17</b>	(2,958)

## 7. INCOME TAX EXPENSE

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 periods ended 30 June 2019 and 2018 in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in 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, China during the six-month periods ended 30 June 2019 and 2018.

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax – China	<b>81,787</b>	69,241
Deferred income tax	<b>(18,907)</b>	(218)
Tax charge for the period	<b>62,880</b>	69,023

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 six-month periods ended 30 June 2019 and 2018 is as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before tax	<b>371,350</b>	338,203
Income tax charge at the statutory income tax rate	<b>92,838</b>	84,551
Effect of different income tax rates for some entities	<b>(36,341)</b>	(26,204)
Tax effect of share of profits and losses of joint ventures and associates	<b>1,384</b>	(1,166)
Additional tax deduction for research and development expenditure	<b>(1,907)</b>	(1,191)
Expenses not deductible for tax purposes	<b>5,459</b>	6,195
Adjustments in respect of current tax of previous periods	<b>666</b>	1,331
Tax losses not recognised	<b>781</b>	5,507
Tax charge for the period at the effective rate	<b>62,880</b>	69,023

## 8. DIVIDENDS

The dividends for the six-month periods ended 30 June 2019 and 2018 are set out below:

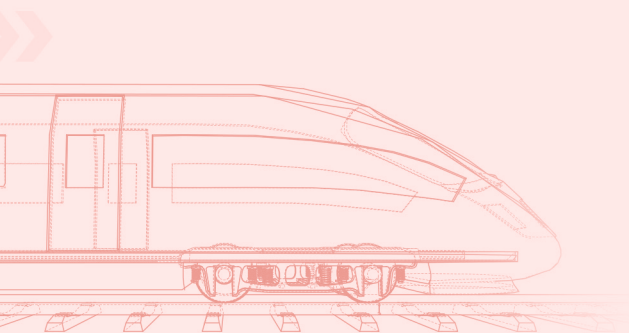
	Note	Six-month period ended 30 June	
		2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Declared 2018 final dividend – RMB0.1102 (2017: RMB0.0994) per ordinary share	(i)	<b>148,623</b>	134,058

Note:

- (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 in total.

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

The directors did not recommend the payment of an interim dividend for the six-month period ended 30 June 2019 (six-month period ended 30 June 2018: Nil).



## 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 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the six-month periods ended 30 June 2019 and 2018.

	Six-month period ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings:</b>		
Profit for the period attributable to ordinary equity holders of the parent	<b>304,336</b>	262,771
	<b>1,348,670</b>	1,348,670
	<b>1,348,670</b>	1,348,670
	<b>1,348,670</b>	1,348,670

The Group had no potential dilutive ordinary shares in issue during these periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2019, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB76,255,000 (unaudited) (six-month period ended 30 June 2018: RMB45,190,000 (unaudited)).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB48,000 (unaudited) (six-month period ended 30 June 2018: RMB549,000 (unaudited)) were disposed of, which resulted in a net loss on disposal of approximately RMB31,000 (unaudited) (six-month period ended 30 June 2018: a net gain on disposal of approximately RMB11,000 (unaudited)).

30 June 2019

**11. CONTRACT ASSETS**

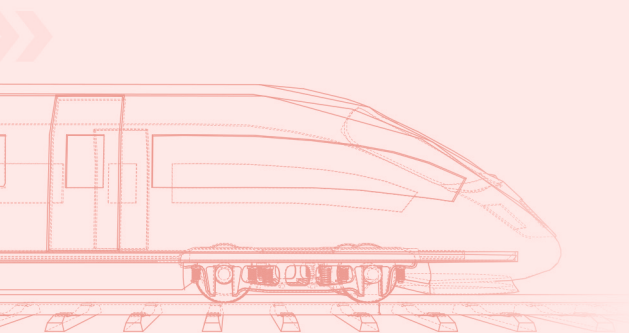
	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contract assets arising from:			
Design, survey and consultancy services		1,911,071	1,744,029
Construction services		587,151	372,870
Service concession arrangements		1,943,424	1,684,204
		<b>4,441,646</b>	3,801,103
Impairment		<b>(13,849)</b>	(11,063)
		<b>4,427,797</b>	3,790,040
Portion classified as non-current contract assets	(i)	<b>(1,752,772)</b>	(1,478,469)
Current portion		<b>2,675,025</b>	2,311,571

Note:

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

The amounts of retentions held by customers for contract works included in contract assets were approximately as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Amounts of retentions in contract assets	<b>191,356</b>	60,355



## 11. CONTRACT ASSETS (CONTINUED)

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

During the six-month period ended 30 June 2019, RMB13,849,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 15 to the financial statements.

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

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
At beginning of the period/year	<b>11,063</b>	23,572
Effect of adoption of IFRS 9	<b>-</b>	10,702
At beginning of the period/year (restated)	<b>11,063</b>	34,274
Impairment losses recognised	<b>2,788</b>	777
Impairment losses reversed	<b>(2)</b>	(23,988)
At end of the period/year	<b>13,849</b>	11,063



**11. CONTRACT ASSETS (CONTINUED)**

As at 30 June 2019, the Group's contract assets of RMB1,941,539,000 (31 December 2018: RMB1,622,519,000) were pledged to secure certain of the Group's bank loans amounting to RMB4,059,118,000 (31 December 2018: RMB3,894,225,000).

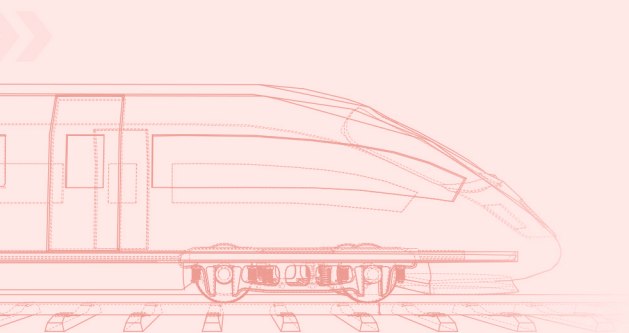
The amounts due from the Beneficial Shareholders (i) included in the contract assets are as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Beneficial Shareholders	<b>129,552</b>	23,717

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

**12. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Unlisted equity investments, at fair value	<b>12,450</b>	8,650



**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Corporate wealth management products	<b>95,713</b>	—
Unlisted equity investment, at fair value	<b>76,500</b>	—
	<b>172,213</b>	—

**14. FINANCIAL RECEIVABLES**

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Receivables for service concession arrangements	<b>3,221,138</b>	3,209,675
Provision for impairment	<b>(3,221)</b>	(3,210)
Receivables for service concession arrangements, net	<b>3,217,917</b>	3,206,465
Portion classified as non-current assets	<b>(2,761,191)</b>	(2,897,230)
Current portion	<b>456,726</b>	309,235

**14. FINANCIAL RECEIVABLES (CONTINUED)**

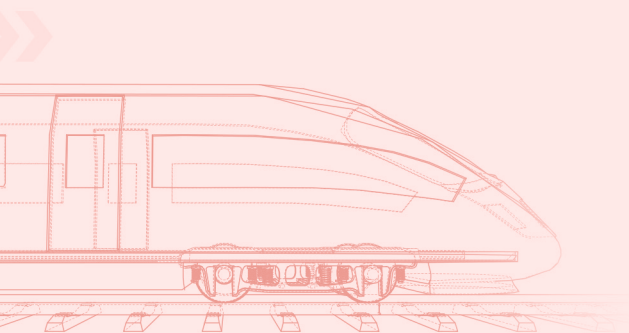
The movements in provision for impairment of financial receivables are as follows:

	<b>Six-month period ended 30 June 2019 RMB'000 (Unaudited)</b>	Year ended 31 December 2018 RMB'000 (Audited)
At beginning of the period/year	<b>3,210</b>	–
Effect of adoption of IFRS 9	<b>–</b>	2,640
At beginning of the period/year (restated)	<b>3,210</b>	2,640
Impairment losses recognised	<b>11</b>	570
At end of the period/year	<b>3,221</b>	3,210

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

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

At 30 June 2019, the Group's financial receivables of RMB3,217,917,000 (31 December 2018: RMB3,209,675,000) were pledged to secure certain of the Group's bank loans amounting to RMB4,059,118,000 (31 December 2018: RMB3,894,225,000).



30 June 2019

**15. TRADE AND BILLS RECEIVABLES**

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade receivables	<b>4,043,222</b>	3,584,568
Bills receivable	<b>79,485</b>	95,911
Impairment	<b>(489,816)</b>	(425,958)
	<b><u>3,632,891</u></b>	<u>3,254,521</u>

Analysis for reporting purpose as:

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade receivables, net	<b>3,557,188</b>	3,158,610
Bills receivable, net	<b>75,703</b>	95,911
	<b><u>3,632,891</u></b>	<u>3,254,521</u>

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 assess 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.

30 June 2019

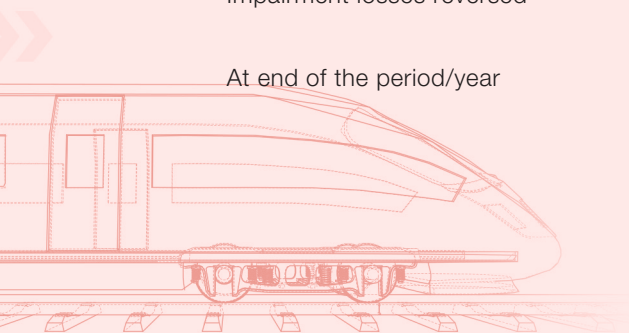
**15. TRADE AND BILLS RECEIVABLES (CONTINUED)**

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

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 3 months	<b>1,283,309</b>	1,118,644
3 to 6 months	<b>415,601</b>	368,025
6 months to 1 year	<b>695,573</b>	779,009
1 to 2 years	<b>744,133</b>	595,556
2 to 3 years	<b>328,212</b>	278,090
3 to 4 years	<b>113,463</b>	61,748
4 to 5 years	<b>44,722</b>	45,620
Over 5 years	<b>7,878</b>	7,829
	<b>3,632,891</b>	3,254,521

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

	<b>Six-month</b>	Year ended
	<b>period ended</b>	31 December 2018
	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
At beginning of the period/year	<b>425,958</b>	303,522
Effect of adoption of IFRS 9	<b>-</b>	15,843
At beginning of the period/year (restated)	<b>425,958</b>	319,365
Acquisition of a subsidiary	<b>-</b>	288
Impairment losses recognised	<b>66,600</b>	118,635
Impairment losses reversed	<b>(2,742)</b>	(12,330)
At end of the period/year	<b>489,816</b>	425,958



**15. TRADE AND BILLS RECEIVABLES (CONTINUED)**

The amounts due from Beneficial Shareholders and their affiliates, BUCG, a joint venture and other related parties included in the trade and bills receivables are as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Beneficial Shareholders and their affiliates	<b>665,274</b>	658,141
BUCG	<b>107,582</b>	52,236
A joint venture	<b>105,029</b>	–
Fellow Subsidiaries	<b>12,663</b>	15,324
Associates of BUCG	<b>2,603</b>	1,592
Associates	<b>1,380</b>	2,003
	<b>894,531</b>	729,296

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

**16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Deposits and other receivables		<b>251,168</b>	538,599
Prepayments		<b>589,178</b>	315,266
Deductible value added tax		<b>254,225</b>	230,796
		<b>1,094,571</b>	1,084,661
Impairment		<b>(24,129)</b>	(18,047)
		<b>1,070,442</b>	1,066,614
Portion classified as non-current assets	(i)	<b>(195,979)</b>	(354,051)
Current portion		<b>874,463</b>	712,563

Note:

- (i) The non-current portion of deposits and other receivables mainly represents deductible value added tax and reimbursed expenses on behalf of the customers at the reporting date.

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

	Six-month period ended 30 June 2019 RMB'000 (Unaudited)	Year ended 31 December 2018 RMB'000 (Audited)
At beginning of the period/year	<b>18,047</b>	16,616
Effect of adoption of IFRS 9	-	(28)
At beginning of the period/year (restated)	<b>18,047</b>	16,588
Impairment losses recognised	<b>9,919</b>	5,036
Impairment losses reversed	<b>(3,837)</b>	(3,577)
At end of the period/year	<b>24,129</b>	18,047



## 16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

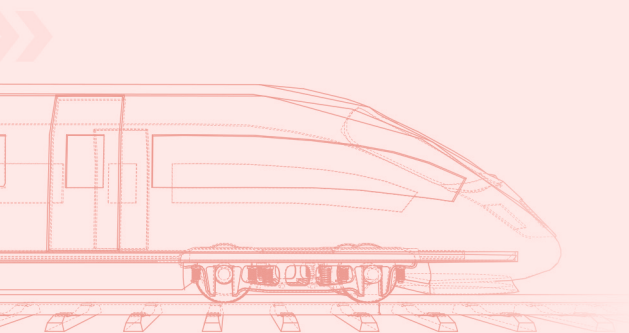
The amounts due from fellow subsidiaries, an associate, an associate of BUCG and other related parties included in the prepayments, other receivables and other assets are as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Fellow subsidiaries	<b>45,120</b>	12,982
An associate	<b>1,519</b>	2,449
An associate of BUCG	<b>544</b>	–
Beneficial shareholders and their affiliates	<b>300</b>	300
A joint venture	<b>68</b>	100,867
	<b>47,551</b>	116,598

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement, except for the other receivables amounting to RMB28,985,000 (31 December 2018: RMB204,486,000) were pledged to secure certain of the Group's bank loans, amounting to RMB4,059,118,000 (31 December 2018: RMB3,894,225,000).

**17. CASH AND BANK BALANCES AND PLEDGED DEPOSITS**

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>2,995,241</b>	3,913,590
Time deposits	<b>1,200</b>	200
	<b>2,996,441</b>	3,913,790
Less: Pledged bank balances for bidding guarantees and performance guarantees	<b>(22,371)</b>	(21,214)
Cash and bank balances in the consolidated statement of financial position	<b>2,974,070</b>	3,892,576
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<b>(1,200)</b>	(200)
Cash and cash equivalents in the consolidated statement of cash flows	<b>2,972,870</b>	3,892,376
Cash and bank balances and time deposits denominated in:		
– RMB	<b>2,746,185</b>	3,663,252
– Other currencies	<b>250,256</b>	250,538
	<b>2,996,441</b>	3,913,790



30 June 2019

**18. TRADE AND BILLS PAYABLES**

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade payables	<b>3,163,526</b>	2,837,268
Bills payables	<b>11,986</b>	11,888
	<b><u>3,175,512</u></b>	<b><u>2,849,156</u></b>

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

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Within 6 months	<b>1,197,142</b>	1,311,692
6 months to 1 year	<b>698,721</b>	617,421
1 to 2 years	<b>542,152</b>	310,005
2 to 3 years	<b>294,312</b>	256,971
Over 3 years	<b>443,185</b>	353,067
	<b><u>3,175,512</u></b>	<b><u>2,849,156</u></b>

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

30 June 2019

**18. TRADE AND BILLS PAYABLES (CONTINUED)**

The amounts due to associates of BUCG, fellow subsidiaries, an associate and other related parties included in the trade and bills payables are as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Associates of BUCG	<b>108,596</b>	77,544
Fellow subsidiaries	<b>77,582</b>	75,579
An associate	<b>13,852</b>	2,607
BUCG	<b>4,071</b>	3,153
A joint venture	<b>2,003</b>	2,003
Beneficial Shareholders and their affiliates	<b>180</b>	180
	<b>206,284</b>	161,066

**19. OTHER PAYABLES AND ACCRUALS**

		<b>30 June 2019</b>	31 December 2018
	Note	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
Contract liabilities	(i)	<b>2,940,218</b>	2,885,170
Accrued salaries, wages and benefits		<b>368,598</b>	401,449
Other taxes payable		<b>650,048</b>	677,950
Retention payables		<b>86,500</b>	81,847
Dividend payable to shareholders		<b>79,369</b>	1,984
Interest payable		<b>-</b>	20,523
Deferred income		<b>21,940</b>	21,671
Other payables		<b>92,795</b>	94,429
		<b>4,239,468</b>	4,185,023
Portion classified as non-current liabilities	(ii)	<b>(269,426)</b>	(292,131)
Current portion		<b>3,970,042</b>	3,892,892

**19. OTHER PAYABLES AND ACCRUALS (CONTINUED)**

Notes:

(i) Details of contract liabilities as at the reporting date are as follows:

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Short-term advances received from customers	<b>616,897</b>	1,114,080
Amounts due to contract customers	<b>2,323,321</b>	1,771,090
Total contract liabilities	<b>2,940,218</b>	2,885,170

(ii) The non-current portion mainly represents the performance guarantee amounts from subcontractors and suppliers of the Group as at the reporting date.

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

The amounts due to Beneficial Shareholders and their affiliates, associates, a non-controlling shareholder and other related parties included in other payables and accruals are as follows:

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Beneficial Shareholders and their affiliates	<b>141,041</b>	376,592
Associates	<b>32,597</b>	35,941
A non-controlling shareholder	<b>9,075</b>	3,404
BUCG	<b>8,001</b>	35,667
Fellow subsidiaries	<b>2,341</b>	11,730
Associates of BUCG	<b>580</b>	893
A joint venture	<b>-</b>	179
	<b>193,635</b>	464,406

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

30 June 2019

## 20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Long term bank loans:						
– secured (i)	4.42%–4.90%	2020–2042	3,673,907	4.41%–4.90%	2019–2041	3,520,225
Long term other borrowings:						
– unsecured	3.98%–4.90%	2021–2026	578,000	3.98%–4.90%	2019–2026	578,000
Lease liabilities:						
– Secured	4.75%–4.90%	2020–2032	117,873			–
			<u>4,369,780</u>			<u>4,098,225</u>
Current						
Current portion of long term bank loans:						
– secured (i)	4.42%–4.90%	2019	385,211	4.41%–4.90%	2019	374,000
Short term bank loans:						
– unsecured	5.22%–6.525%	2019	53,914	5.655%–6.525%	2019	4,000
Current portion of lease liabilities						
– Secured	4.75%–4.90%	2019–2020	68,416			–
Current portion of long term other borrowings:						
– unsecured	4.90%	2019	156,701	4.90%	2019	130,400
			<u>664,242</u>			<u>508,400</u>
			<u>5,034,022</u>			<u>4,606,625</u>
Denominated in:						
– RMB			<u>5,034,022</u>			<u>4,606,625</u>

(i) The bank loan of RMB4,059,118,000 (unaudited) (31 December 2018: RMB3,894,225,000) was secured by the right of future financial receivables for certain service concession arrangements.

## 20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The maturity profile of the interest-bearing bank and other borrowings as at 30 June 2019 and 31 December 2018 is as follows:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year	<b>439,125</b>	378,000
In the second year	<b>358,000</b>	358,000
In the third to fifth years, inclusive	<b>1,074,000</b>	1,074,000
Over five years	<b>2,241,907</b>	2,088,225
	<b>4,113,032</b>	3,898,225
Other borrowings repayable:		
Within one year	<b>156,701</b>	130,400
In the third to fifth years, inclusive	<b>340,000</b>	220,000
Over five years	<b>238,000</b>	358,000
	<b>734,701</b>	708,400
Lease Liabilities repayable:		
Within one year	<b>68,416</b>	–
In the second year	<b>47,547</b>	–
In the third to fifth years, inclusive	<b>40,446</b>	–
Over five years	<b>29,880</b>	–
	<b>186,289</b>	–
	<b>5,034,022</b>	4,606,625



30 June 2019

## 20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The interest-bearing borrowings from a non-controlling shareholder included in the above are as follows:

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2018 RMB'000 (Audited)
A non-controlling shareholder	<b>527,576</b>	508,400

## 21. OPERATING LEASE ARRANGEMENTS

### As lessee

#### Rental fee supplemental information

The Group used the elective practical expedients when applying IFRS 16 and did not recognise the right-of-use assets and lease liabilities for the short-term lease and low-value asset lease. The rental expenses from short-term leases and variable lease payments are included in the current expenses are as follows:

	<b>Six-month period ended 30 June RMB'000 (Unaudited)</b>
Short-term rental expenses	<b>19,144</b>
Variable lease payments	<b>47,970</b>
	<b>67,114</b>

As at the reporting date, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB'000 (Audited)
Within one year	55,859
In the second to fifth years, inclusive	44,701
After five years	2,326
	<b>102,886</b>

## 22. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	<b>182,276</b>	188,308
Equity investments	<b>3,956,191</b>	3,683,390
	<b>4,138,467</b>	3,871,698

## 23. RELATED PARTY TRANSACTIONS

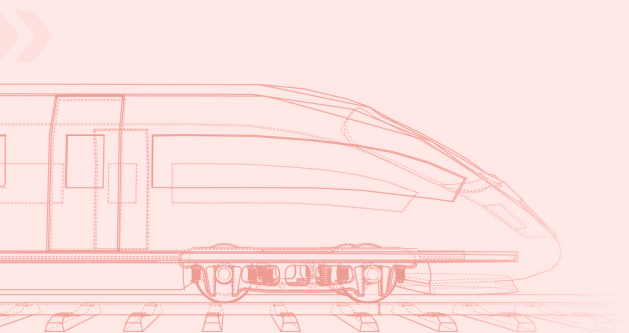
(a) The Group had the following material transactions with related parties for the six-month periods ended 30 June 2019 and 2018:

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Design, survey and consultancy services provided to:</b>		
Beneficial Shareholders and their affiliates	<b>180,440</b>	166,672
BUCG	<b>19,762</b>	9,156
Fellow subsidiaries	<b>10,813</b>	25,422
Associates	<b>2,798</b>	883
An associate of BUCG	<b>503</b>	476
A joint venture	<b>127</b>	–
	<b>214,443</b>	202,609
<b>Construction contracting services provided to:</b>		
Beneficial Shareholders and their affiliates	<b>535,356</b>	487,673
BUCG	<b>125,723</b>	9,145
A joint venture	<b>47,764</b>	–
	<b>708,843</b>	496,818

**23. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (a) The Group had the following material transactions with related parties for the six-month periods ended 30 June 2019 and 2018: (continued)

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Construction contracting services provided by:</b>		
Associates of BUCG	<b>86,059</b>	164,503
Fellow subsidiaries	<b>39,394</b>	60,131
BUCG	<b>1,890</b>	–
	<b>127,343</b>	224,634
<b>Design, survey and consultancy services provided by:</b>		
Associates	<b>19,175</b>	14,584
A Joint venture	<b>1,374</b>	8,629
Fellow subsidiaries	<b>1,303</b>	5,185
An associate of BUCG	<b>16</b>	106
	<b>21,868</b>	28,504



**23. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (a) The Group had the following material transactions with related parties for the six-month periods ended 30 June 2019 and 2018: (continued)

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Rental expenses and property management fees paid or payable to:</b>		
Fellow subsidiaries	<b>6,463</b>	5,984
BUCG	<b>1,424</b>	1,348
	<b>7,887</b>	7,332
<b>Construction in progress services provided by :</b>		
Fellow subsidiaries	<b>2,094</b>	512
<b>Finance costs paid or payable to:</b>		
A non-controlling shareholder	<b>12,456</b>	12,456

**23. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (a) The Group had the following material transactions with related parties for the six-month periods ended 30 June 2019 and 2018: (continued)

	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Borrowings provided to:</b>		
An associate	-	3,000
A joint venture	-	88,000
	<u>-</u>	<u>91,000</u>
<b>Interest income received or receivable from:</b>		
An associate	-	98
A joint venture	<b>1,598</b>	4,649
	<u><b>1,598</b></u>	<u>4,747</u>

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

The Group guaranteed certain of a joint venture's interest-bearing bank borrowings and the outstanding balances of the guarantee was RMB280 million as at 30 June 2019 (31 December 2018: RMB280 million).

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the six-month periods ended 30 June 2019 and 2018, the Group entered into extensive transactions with SOEs other than those transactions disclosed elsewhere in these financial statements, such as bank deposits, rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machinery. In the opinion of the directors of the Company, such transactions are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

**23. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (a) The Group had the following material transactions with related parties for the six-month periods ended 30 June 2019 and 2018: (continued)

The Company issued domestic shares of the scheme to several executive directors and key management personnel. The details are as follows:

	<b>Employee stock ownership scheme</b>	
	<b>Number of Shares</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Executive Directors</b>		
Mr. Wang Hanjun (王漢軍) (Chief executive)	<b>1,000</b>	1,000
Mr. Li Guoqing (李國慶)	<b>1,000</b>	1,000
	<b>2,000</b>	2,000
<b>Key management personnel</b>		
Mr. Yang Xiuren (楊秀仁)	<b>750</b>	750
Mr. Cheng Yan (成硯)	<b>350</b>	150
Mr. Wan Xuehong (萬學紅)	<b>750</b>	750
Mr. Jin Huai (金淮)	<b>750</b>	750
Mr. Wang Liang (王良)	<b>750</b>	750
Mr. Yu Songwei (於松偉)	<b>750</b>	750
Mr. Xiao Mujun (肖木軍)	<b>750</b>	750
Mr. Liu Li (劉立)	<b>750</b>	750
Mr. Xuan Wenchang (玄文昌)	<b>750</b>	750
Mr. Ma Haizhi (馬海志)	<b>660</b>	660
Mr. Yin Zhiguo (尹志國)	<b>620</b>	620
	<b>7,630</b>	7,430

**23. RELATED PARTY TRANSACTIONS (CONTINUED)****(b) Outstanding balances with related parties**

Details of the outstanding balances with related parties are set out in notes 11, 15, 16, 18, 19 and 20.

**(c) Compensation of key management personnel of the Group**

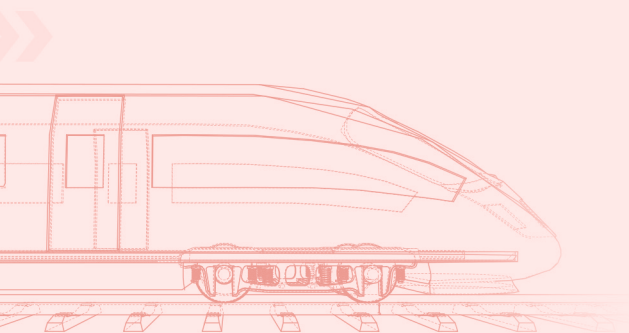
	<b>Six-month period ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short term employee benefits	<b>3,962</b>	3,186
Pension scheme	<b>592</b>	470
	<b>4,554</b>	3,656

**(d) Commitments with related parties**

As at the reporting date, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

Pursuant to certain construction contracts signed by the Company and BUCG, a joint venture, certain Beneficial Shareholder and their affiliates, the Company was engaged to build certain subways and the backlog as at 30 June 2019 amounting to RMB5,518 million (unaudited) (31 December 2018: RMB2,479 million audited).

Pursuant to certain design services contracts signed by the Company and certain Beneficial Shareholders and its affiliates and BUCG and fellow subsidiaries, the Company was engaged to design certain subways and industrial and civil construction and municipal engineering and the backlog as at 30 June 2019 amounted to RMB1,007 million (unaudited) (31 December 2018: RMB1,006 million audited).



## 24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	<b>30 June 2019</b> <b>RMB'000</b> <b>(Unaudited)</b>
<b>Financial assets</b>	
Financial assets at fair value:	
Financial assets at fair value through profit or loss	<b>172,213</b>
Equity investments designated at fair value through other comprehensive income	<b>12,450</b>
Financial assets at amortised cost:	
Trade and bills receivables	<b>3,632,891</b>
Financial receivables	<b>3,217,917</b>
Financial assets included in contract assets	<b>1,941,539</b>
Financial assets included in prepayments, other receivables and other assets	<b>227,039</b>
Pledged deposits	<b>22,371</b>
Cash and bank balances	<b>2,974,070</b>
	<b>12,200,490</b>
<b>Financial liabilities</b>	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	<b>5,034,022</b>
Trade and bills payables	<b>3,175,512</b>
Financial liabilities included in other payables and accruals	<b>258,665</b>
	<b>8,468,199</b>



**24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

31 December 2018

RMB'000

(Audited)

**Financial assets**

Financial assets at fair value through other comprehensive income:

Equity investments designated at fair value through other comprehensive income	8,650
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Financial assets at amortised cost:

Trade and bills receivables	3,254,521
Financial receivables	3,206,465
Financial assets included in contract assets	1,622,226
Financial assets included in prepayments, other receivables and other assets	520,242
Pledged deposits	21,214
Cash and bank balances	3,892,576

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12,525,894

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**Financial liabilities**

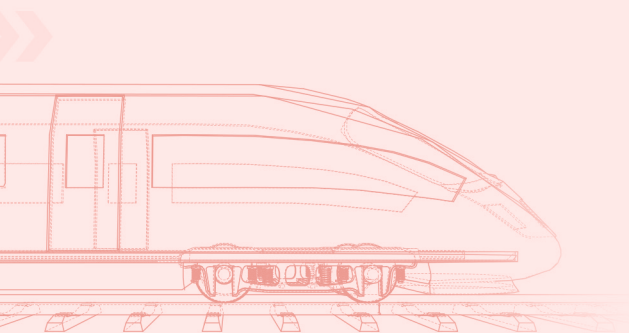
Financial liabilities at amortised cost:

Interest-bearing bank and other borrowings	4,606,625
Trade and bills payables	2,849,156
Financial liabilities included in other payables and accruals	198,783

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7,654,564

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## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	172,213	–	172,213	–
Equity investments designated at fair value through other comprehensive income	12,450	8,650	12,450	8,650
Financial receivables	3,217,917	3,206,465	3,192,558	3,231,317
Financial assets included in contract assets	1,941,539	1,622,226	1,943,431	1,623,105
Financial assets included in prepayments, other receivables and other assets, non-current portion	17,507	145,915	17,382	143,805
	<b>5,361,626</b>	<b>4,983,256</b>	<b>5,338,034</b>	<b>5,006,877</b>
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings, non-current portion	4,369,780	4,098,225	4,193,702	3,934,504
Financial liabilities included in other payables and accruals, non-current portion	7,391	3,853	7,450	3,945
	<b>4,377,171</b>	<b>4,102,078</b>	<b>4,201,152</b>	<b>3,938,449</b>

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade and bills payables, the current portion of financial assets included in prepayments, other receivables and other assets, the current portion of financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with senior management twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, other receivables and other assets, the financial receivables and the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent wealth management products issued by banks in China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on the industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to the earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value:

30 June 2019

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss:				
Wealth investment products	-	95,713	-	95,713
Unlisted equity investments	-	-	76,500	76,500
Financial assets designated at fair value through other comprehensive income :				
Unlisted equity investments	-	-	12,450	12,450
	<u>-</u>	<u>95,713</u>	<u>88,950</u>	<u>184,663</u>

31 December 2018

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets designated at fair value through other comprehensive income :				
Unlisted equity investments	-	-	8,650	8,650
	<u>-</u>	<u>-</u>	<u>8,650</u>	<u>8,650</u>

30 June 2019

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy: (Continued)

#### Assets for which fair values are disclosed:

30 June 2019

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial receivables	-	3,192,558	-	3,192,558
Financial assets included in contract assets	-	1,943,431	-	1,943,431
Financial assets included in prepayments, other receivables and other assets, non-current portion	-	17,382	-	17,382
	<u>-</u>	<u>5,153,371</u>	<u>-</u>	<u>5,153,371</u>

31 December 2018

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial receivables	-	3,231,317	-	3,231,317
Financial assets included in contract assets	-	1,623,105	-	1,623,105
Financial assets included in prepayments, other receivables and other assets, non-current portion	-	143,805	-	143,805
	<u>-</u>	<u>4,998,227</u>	<u>-</u>	<u>4,998,227</u>

## 25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy: (Continued)

#### Liabilities for which fair values are disclosed:

30 June 2019

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings, non-current portion	-	4,193,702	-	4,193,702
Financial liabilities included in other payables and accruals, non-current portion	-	7,450	-	7,450
	<u>-</u>	<u>4,201,152</u>	<u>-</u>	<u>4,201,152</u>

31 December 2018

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Interest-bearing bank and other borrowings, non-current portion	-	3,934,504	-	3,934,504
Financial liabilities included in other payables and accruals, non-current portion	-	3,945	-	3,945
	<u>-</u>	<u>3,938,449</u>	<u>-</u>	<u>3,938,449</u>

## **26. EVENTS AFTER THE REPORTING PERIOD**

As at the date of this report, there was no any significant subsequent event since 30 June 2019.

## **27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2019.

