



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

**Design the City
Build the future**



2022
Interim Report

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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
“BUCG”	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司) (the controlling shareholder of the Company)
“Company”	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司)
“Corporate Governance Code”	the Corporate Governance Code 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 HK\$ 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



DEFINITIONS (CONTINUED)

“NDRC”	National Development and Reform Commission of the People’s Republic of China
“PPP”	a model of public-private partnerships jointly participating in the construction of public infrastructure
“PRC” or “China”	the People’s Republic of China
“Reporting Period”	the six months ended 30 June 2022
“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

CORPORATE INFORMATION

REGISTERED NAME

Chinese:

北京城建設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, Dah Sing Financial Centre,
No.248 Queen's Road East,
Wanchai, Hong Kong

LEGAL REPRESENTATIVE:

Mr. Pei Hongwei

SECRETARY OF THE BOARD:

Mr. Xuan Wenchang

COMPANY SECRETARY:

Mr. Xuan Wenchang

WEBSITE:

www.bjucd.com

AUDITOR:

Ernst & Young

LEGAL ADVISORS:

As to Hong Kong Laws:
Clifford Chance

As to PRC Laws:
Beijing Ocean Law Firm

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

Due to the disposal of a subsidiary and acquisition of a subsidiary under common control during the period, the Group's consolidated financial statements for the six months ended 30 June 2021 and for the year ended 31 December 2021 were restated. The information in the management discussion and analysis below was not restated.

In the first half of 2022, the Design & Development Group responded actively to the impact of the changing economic environment and the pandemic. Adhering to the general keynote of "making progress while maintaining stability", the Group stuck to scaling up survey and design consultancy, enhancing EPC business, and actively fostering and developing new businesses, forging ahead tirelessly to facilitate the enforcement of several work.

For the six months ended 30 June 2022, the Group's revenue amounted to RMB4,466 million, representing a decrease of RMB356 million or 7.38% compared to RMB4,822 million for the corresponding period of last year. The Group's net profit amounted to RMB487 million, representing an increase of RMB87 million or 21.75% compared to the net profit of RMB400 million for the corresponding period of last year.

Summary of Operating Results

	For the six months ended 30 June	
	2022 (RMB'000) Unaudited	2021 (RMB'000) Unaudited
Revenue	4,466,225	4,822,047
Cost of sales	(3,759,288)	(3,939,548)
Gross profit	706,937	882,499
Other income and gains	430,981	226,182
Selling and distribution expenses	(29,683)	(42,399)
Administrative expenses	(338,375)	(403,907)
Impairment losses on financial and contract assets, net	(174,654)	(212,530)
Other expenses	–	(2,577)
Finance costs	(163,397)	(128,145)
Share of profits of joint ventures	94,927	123,595
Share of profits of associates	10,169	157
Profit before tax	536,905	442,875
Income tax expense	(49,451)	(42,568)
Profit for the period	487,454	400,307

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 project construction. For the six months ended 30 June 2022, the Group achieved a revenue of RMB4,466 million, representing a decrease of RMB356 million or 7.38% compared to RMB4,822 million last year. The decrease was mainly due to the slower efficiency of performance of projects compared to that the corresponding period of last year caused by the pandemic and the impact of operational restructuring.

Revenue by segment is as follows:

Products by industry	For the six months ended 30 June	
	2022 (RMB'000) Unaudited	2021 (RMB'000) Unaudited
Design, survey and consultancy	2,015,397	1,752,612
Construction contracting	2,450,828	3,069,435
Total	4,466,225	4,822,047

DESIGN, SURVEY AND CONSULTANCY BUSINESS SEGMENT

The design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit construction as well as industrial and civil construction and municipal engineering. The design, survey and consultancy segment has been the traditional and core business of the Group. In 2022, the Group, fully leveraging on its edge in technology, stayed deep-rooted to established market and consolidated its leading position in urban rail transit design. While dealing with contract performance services on hand, the Company also attached great importance to engaging in state-level new areas and third and fourth tier cities, expanding its business coverage to dozens of cities both at home and abroad, thus further promoting its brand influence in urban construction design. There were 12 lines of urban rail transit tendered in the first half of 2022 in the PRC, and the Group won the bid for the general contracting of 4 rail transit design projects in Beijing, Wuxi, Ningbo and Shijiazhuang, which enabled the Group to maintain its leadership in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2022, revenue of the design, survey and consultancy business segment of the Group amounted to RMB2,015 million, representing an increase of RMB262 million or 14.95% compared to RMB1,753 million for the corresponding period in 2021. Among which, the revenue of the urban rail transit construction segment amounted to RMB1,453 million, representing an increase of RMB77 million or 5.60% compared to RMB1,376 million for the corresponding period of last year. Revenue from the industrial and civil construction and municipal engineering was RMB562 million, representing an increase of RMB185 million or 49.07% compared to RMB377 million in the corresponding period of last year, mainly due to the increase in the revenue of industrial and civil construction and municipal engineering segments driven by the incorporation of the Beijing Institute of Residential Building Design & Research Co., Ltd (北京市住宅建築設計研究院有限公司) (the "Residential Institute").

CONSTRUCTION CONTRACTING BUSINESS SEGMENT

In 2022, the construction contracting business segment of the Group closely focuses on the projects in Beijing, Tibet, and Changchun. The Group has undertaken projects for the Beijing existing subway line, entire subway flood control and drainage construction contracting and EPC projects of CNNC, and obtained the construction task from national rail system while entering the subway operation and renovation market of Shijiazhuang for the first time. The construction contracting projects undertaken by the Group covered cities including Beijing, Guangzhou, Urumqi, Wuhan, Zhuzhou and Zhengzhou, etc.

For the six months ended 30 June 2022, the Group's revenue from the construction contracting business segment was RMB2,451 million, representing a decrease of RMB618 million or 20.14% compared to RMB3,069 million for the corresponding period of last year, mainly because the projects progress affected by Covid-19 pandemic was below the expectation and the disposal of Beijing Urban Construction Zhikong Technology Co., Ltd. (the "BUCZT").

COST OF SALES

For the six months ended 30 June 2022, the cost of sales incurred by the Group was RMB3,759 million, representing a decrease of RMB181 million or 4.59% as compared to RMB3,940 million for the corresponding period of last year, which was mainly attributable to the decrease in business revenue of the Group.

For the six months ended 30 June 2022, cost of sales of the Group's design, survey and consultancy segment increased by 17.54% to RMB1,434 million for the current period from RMB1,220 million for the corresponding period of last year. Among that, the cost of sales of the urban rail transit business of the Group's design, survey and consultancy segment increased by 6.36% to RMB1,004 million for the current period from RMB944 million for the corresponding period of last year. The cost of sales of the industrial and civil construction and municipal engineering business of the design, survey and consultancy segment increased by 55.80% to RMB430 million for the current period from RMB276 million for the corresponding period of last year, which was mainly attributable to the corresponding increase in cost associated with the increase in revenue due to the incorporation of the Residential Institute into the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2022, the cost of sales of the Group's construction contracting segment decreased by 14.52% to RMB2,325 million for the current period from RMB2,720 million for the corresponding period of last year, which was mainly attributable to the decrease in revenue from construction contracting segment.

GROSS PROFIT AND GROSS MARGIN

For the six months ended 30 June 2022, the gross profit of the Group was RMB707 million, representing a decrease of RMB175 million or 19.84% compared to RMB882 million for the corresponding period of last year, while the consolidated gross margin decreased from 18.29% to 15.83%, which was mainly attributable to the decrease in gross margin of construction contracting segment.

The gross profit of design, survey and consultancy segment increased to RMB581 million for the current period from RMB533 million for the corresponding period of last year, representing an increase of RMB48 million or 9.01%. The gross margin was 28.83% for the current period with a slight decrease, as compared with 30.41% for the corresponding period of last year. The gross profit of the construction contracting segment decreased from RMB349 million for the corresponding period of last year to RMB126 million for the current period, representing a decrease of RMB223 million or 63.90%. The gross margin decreased from 11.37% for the corresponding period of last year to 5.14% for the current period, which was mainly attributable to the increased portion of revenue of traditional projects with lower gross margin in construction contracting segment.

OTHER INCOME AND GAINS

For the six months ended 30 June 2022, other income and gains of the Group were RMB430.98 million, representing an increase of RMB204.80 million or 90.55% as compared to RMB226.18 million for the corresponding period of last year, which was mainly attributable to the gain on disposal of BUCZT.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2022, selling and distribution expenses of the Group were RMB29.68 million, representing a decrease of RMB12.72 million or 30.00% as compared to RMB42.40 million for the corresponding period of last year, which was mainly attributable to the disposal of BUCZT.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2022, administrative expenses of the Group were RMB338.38 million, representing a decrease of RMB65.53 million or 16.22% as compared to RMB403.91 million for the corresponding period of last year, which was mainly attributable to slower progress in part of the research and development projects and decrease in research and development expenditure as the Group strengthened its cost control under the impact of pandemic in the first half of the year.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

For the six months ended 30 June 2022, the impairment losses on financial and contract assets of the Group amounted to RMB174.65 million, representing a decrease of RMB37.88 million or 17.82% as compared to RMB212.53 million for the corresponding period of last year, which was mainly due to the increase of project settlement, resulting in the decrease in provisions of long-term contract assets.

OTHER EXPENSES

For the six months ended 30 June 2022, the other expenses of the Group were nil.

FINANCE COSTS

For the six months ended 30 June 2022, finance costs of the Group were RMB163.40 million, representing an increase of RMB35.25 million or 27.51% as compared to RMB128.15 million for the corresponding period of last year, which was mainly attributable to the increase in interest expense due to the year-on-year increase in the financing of the Group.

INCOME TAX EXPENSE

For the six months ended 30 June 2022, the income tax expense of the Group was RMB49.45 million, representing an increase of RMB6.88 million or 16.16% as compared to RMB42.57 million for the corresponding period of last year, which was mainly attributable to the decrease in impairment losses on financial and contract assets, which led to the decrease in deferred income tax expense.

PROFIT FOR THE PERIOD

For the six months ended 30 June 2022, the Group's profit for the period was RMB487 million, representing an increase of RMB87 million or 21.75% as compared to RMB400 million for the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOWS

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

	For the six months ended 30 June	
	2022	2021
	(RMB'000)	(RMB'000)
Net cash outflows from operating activities	(539,567)	(814,244)
Net cash outflows from investing activities	(283,395)	(434,535)
Net cash (outflows)/inflows from financing activities	(227,829)	287,358
Net decrease in cash and cash equivalents	(1,050,791)	(961,421)

From January to June 2022, net cash outflows from operating activities was RMB540 million, which was mainly attributable to the fact that the operating receipts was less than operating payments during the period. The net cash outflows from investing activities was RMB283 million, which was mainly attributable to net cash outflow of RMB102 million from disposal of BUCZT, the increased investment of RMB61 million to an associate, payment to the original shareholder of RMB70 million for acquisition of Residential Institute and an expenditure of RMB56 million for purchase of fixed assets, intangible assets and other long-term assets. The net cash outflows from financing activities was RMB228 million, which was mainly due to proceeds from financing of RMB657 million, repayment of loans and interest expenses of approximately RMB795 million, the payment of dividends to non-controlling shareholders of approximately RMB10 million and the payment of lease liabilities of approximately RMB80 million.

PLEDGE OF ASSETS

For the six months ended 30 June 2022, the contract assets, trade receivables and intangible assets of the Group were pledged to secure the certain bank borrowings granted to the Group. As at 30 June 2022, the net pledged receivables and intangible assets were RMB6,882 million (as at 31 December 2021: RMB7,024 million).

CAPITAL COMMITMENT

The capital commitment of the Group as at 30 June 2022 and 31 December 2021 were as follows:

	30 June 2022 (RMB'000) (unaudited)	31 December 2021 (RMB'000) (unaudited)
Contracted, but not provided for:		
Property, plant and equipment	13,362	7,310
Equity investments	2,151,391	2,836,570

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 at 30 June 2022, the net current assets of the Group were RMB1,153 million, among which cash and cash equivalents amounted to RMB3,104 million. The liquidity of the Group was sound and healthy and the Group had adequate cash and available facilities to satisfy its operating needs.

As at 30 June 2022, the Group's interest-bearing borrowings were RMB7,192 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 30 June 2022 divided by the total equity as at 30 June 2022) was 109.20%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 30 June 2022 and 31 December 2021. The Group can be able to settle the borrowings on time generally.

	30 June 2022 (RMB'000) (unaudited)	31 December 2021 (RMB'000)
Bank borrowings		
Pledged	5,293,349	5,302,309
Non-pledged	118,592	99,388
Other borrowings		
Non-pledged	1,485,945	1,464,873
Lease liabilities		
Non-pledged	293,632	315,751
Total	7,191,518	7,182,321

The Group's borrowings are denominated in RMB with interest rates ranging from 2.45% to 5.11%.

The table below sets forth the maturity of the Group's debts as at 30 June 2022 and 31 December 2021:

	30 June 2022 (RMB'000) (unaudited)	31 December 2021 (RMB'000)
Within one year	2,780,582	2,363,745
In the second year	420,832	421,467
In the third to fifth year, inclusive	1,729,893	2,385,349
Over five years	2,260,211	2,011,760
Total	7,191,518	7,182,321

SIGNIFICANT INVESTMENT

The main business of Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. is the investment, construction and operation & maintenance of construction projects. Holding the shares of Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd. is conducive to promoting the need of the Company to enhance profitability, and is conducive to the Company's market expansion and industrial chain integration. As at 30 June 2022, the investment amount was RMB1.92 billion, accounting for 8.5% of the total asset value as at 30 June 2022, and the details of this significant investment by the Company are as follows:

Company name	Main business	Number of shares held by the Company	Shareholding of the Company	Cost of investment (RMB'000)	Income on investment for the period (RMB'000)
Yunnan Jingjian Rail Transit Investment and Construction Co., Ltd.	Construction management of urban rail transit construction (section B), investment and financing related to operation, operation and management, mechanical and electrical equipment renovation, ticket management, commercial property development along the line, house lease along the line, advertising design, production, agency and release along the line, resource development of rail transit station and underground space, development, operation and management of import and export resources of Kunming Rail transit Line 4 (projects that must be approved legally can be carried out after approval from relevant authorities).	78,280,000	78.28%	1,512,204	96,022



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 and transactions from operations of the Group that involve exchange rate risk are mainly related to U.S. dollars and HK dollars. The Directors of the Company believe that the exchange rate risk of the Group is low and will not have a material and adverse impact on the financial position of the Group.

BID WINNING

As of 30 June 2022, the Company won the bid totaling RMB2.085 billion, including design, survey and consultancy totaling RMB2.052 billion, and projects were distributed in Beijing, Xiongan, Qingdao, Ningbo, Wuxi and other regions, and construction general contracting business won the bid totaling RMB33 million.

EMPLOYEES

As of 30 June 2022, the Group had approximately 4,865 employees, representing an increase of 10.49% as compared to that at the end of last year due to the disposal of BUCZT and merger of Residential Institute. As of 30 June 2022, employees with senior titles or above, employees with intermediate titles and employees with primary titles or below accounted for 34%, 38% and 29% of the total number of employees of the Group, respectively. Among which, the ratio of employees with senior titles has increased. During the Reporting Period, there was no change in the remuneration policy and training plan of the Group.

EVENTS AFTER THE BALANCE SHEET DATE

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

PROFIT DISTRIBUTION AND DIVIDENDS

The Group will not make distribution of its interim profit and does not propose the payment of an interim dividend.

COMPANY-WIDE MANAGEMENT MEASURES IN THE SECOND HALF OF 2022

In the second half of 2022, the Company will respond actively to the impact of the changing economic environment and the impact of the epidemic, and adhered to the “steady” general keynote to seek progress, break through, and develop while maintaining stability. With sticking to expanding the design and consultancy business and the EPC business, as well as actively fostering and developing new businesses, the Company will ensure to meet the targets for the year.

The Company’s specific management measures in the second half of 2022 include the following four areas:

1. To continuously expand and improve the design and consultancy business, and consolidate its dominant status in urban rail transit design

We will consolidate the main business of rail transit design, optimize market layout, and actively study national strategies. The Group will focus on the markets in economically developed areas such as the Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Economic Circle, leverage its core competitive advantages in survey and design, and actively expand into emerging markets such as suburban railways and inter-city express lines. The Group will actively follow up the preliminary projects, and keep close eye on the local network planning, construction planning and feasibility study projects to capture market opportunities. In terms of municipal designs and civil construction, the Group will continue to increase its market share. For residential design, the Group will make good use of its synergistic advantages to accelerate the expansion of markets outside Beijing while ensuring the Beijing market. In terms of survey, design and consultancy, the Group will continue to expand its business and expand the market potential of ecological environment restoration, water environment management, construction cost consulting, and survey of communication micro-pipe corridors to expand the market space. In general, we will refine and strengthen the segmented areas, inspection and appraisal, and safety risk assessment.

2. Focusing on high-quality performance in the construction general contracting for expansion of new projects

In light of the current severe market environment, the Group will maintain sufficient awareness of crisis, actively study and judge the market situation, and proactively connect with customers in order to strive for the construction task of the national railway system. We will strengthen cooperation with state-owned enterprises and track Guangzhou’s subway projects to capture more market opportunities. In addition, we will pay attention to the existing line renovation market, increase marketing efforts and vigorously develop new projects.

3. Focusing on collaborative innovation and actively expand new business

We will adhere to the investment-driven strategy, continue to improve the level of enterprise development and innovate the operation mode of investment and financing to promote the launch of the first set of technology products. With the orientation of market, for one thing, we will promote the “urban simulation” data base platform, and put the smart Internet of Things and bridge shock-absorbing bearing products into the market to obtain orders. For another thing, we will independently develop new products such as “non-sensing security inspection” to strengthen marketing planning and promotion, so as to grasp the first-mover advantage in the market. In addition, we will coordinate project incubation, project planning, R&D and market application, and exert great efforts on the incubation of integrated intelligent management and control centers, rail transit intelligent operation and maintenance systems and other projects to form a virtuous circle of project incubation – achievement transformation – benefit realization.

4. Focusing on headquarters management and control to promote enterprises to a new level

We will further implement the special work of “Three Reductions, One Decrease, One Promotion (三降一减一提升)” to reduce costs and increase efficiency. We will promote internal structural optimization and resource integration, fully implement the regional reform of rail transit design, and build a new mode of regional organization and operation to stimulate endogenous power. Moreover, we will deepen the construction of young and middle-aged talents in order to complete the re-election of the Company’s special committees and key training work. In addition, we will optimize the enterprise ERP system, complete the development of the data mid-office, the comprehensive data analysis and decision-making platform, and the technical quality whole-process management platform, and continue to promote collaborative design and BIM positive design. We will continue to enhance the corporate brand image and strengthen the publicity and inspection of the CIS system. In general, we take the Company’s development as the direction: relying on China’s urban rail transit network to build a new media matrix, hold industry activities on important platforms such as China’s urban rail green development low-carbon forum and key technology forum to further improve its influence in the industry.

MARKET LANDSCAPE AND BUSINESS OUTLOOK

On 29 April, the meeting of the Political Bureau of the CPC Central Committee further clarified the general tone of macro policy of this year, and put forward clear requirements for “Epidemic Prevention, Economic Stability and Safe Development (疫情要防住、經濟要穩住、發展要安全)”. The first is to, we should strengthen macro policy regulation, stabilize the economy solidly, and strive to achieve the expected goal of economic and social development throughout the year so that to stabilize the economic fundamentals. Specific measures include incremental policy tools, strengthening regulation, expanding domestic demand, giving play to the key role of effective investment, and comprehensively strengthening infrastructure construction. The second is to, we should effectively control key risks and keep the bottom line of preventing systematic risks. It focuses on the insistence on the position of no speculation in housing. The third is to, we should continue to promote economic transformation and upgrading. It is mainly to accelerate the construction of a new development pattern, deepen the supply side structural reform, solve the problems in development with reform methods, accelerate the realization of high-level scientific and technological self-reliance, and build a strong and resilient national economic cycle system.

On 25 May, the State Council held a teleconference on stabilizing the overall economic market nationwide. It is required to put stable growth in a more prominent position, focus on stabilizing market players to protect employment and people’s livelihood, protect economic resilience, and strive to ensure that the economy achieves reasonable growth and the unemployment rate decreases as soon as possible in the second quarter, so as to maintain the economic operation in a reasonable range. The meaning of supporting is obvious.

In April, the 11th meeting of the Central Finance and Economics Commission focused on the issue of comprehensively strengthening infrastructure construction. The meeting emphasized the position of “infrastructure is an important support for economic and social development”, and put forward the general requirements of “coordinating development and security, optimizing infrastructure layout, structure, function and development mode, and building a modern infrastructure system”. It is required to “strengthen the construction of urban infrastructure, create high-quality living space, promote the transportation integration of urban agglomeration, build a convenient and efficient inter-city railway network, develop municipal (suburban) railways and urban rail transit, promote the construction of urban comprehensive road transportation system, orderly promote the construction of underground comprehensive pipe gallery, and strengthen the construction of intelligent infrastructure”.

URBAN RAIL TRANSIT

According to the China Association of Metros (中國城市軌道交通協會), as of 30 June 2022, there was an aggregate investing and operating urban rail transit distance of 9,573.65 km in 51 cities in Mainland China, including 7,529.02 km of subway, accounting for 78.64%. In the first half of 2022, Nanping had urban rail transit in operation, and urban rail transit new lines or new sections of nine cities were put into operation, including Chongqing, Guangzhou, Zhengzhou, Kunming, Hangzhou, Changsha, Fuzhou, Shaoxing and Jiaying.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the first half of 2022, a total of 366.87 km of new urban rail transit lines were added. There are 7 new operating lines, and 11 new post opening sections or extension sections of existing lines. As of 30 June 2022, the NDRC has approved the adjustment solutions of urban rail transit construction planning of Suzhou and Dongguan in 2022. The adjustment solutions of urban rail transit construction planning in the two cities involve a total of 58.18 km of new construction planning lines, all of which are underground lines. The total additional investment of new projects in the adjustment solutions of the two cities amounted to RMB22.765 billion.

In the first half of 2022, the Company successively won the bids for the overall design projects of four lines, including Shijiazhuang Line 2 North Extension Project, Wuxi Metro Line 6 project, Beijing Rail Transit Line M101 Project, Ningbo-Cixi (Suburban) Railway Project, and won a number of important construction site projects in Beijing, Ningbo, Qingdao and other cities. In addition, the research on the “14th Five Year Plan” construction plan of Chongqing rail transit, the research on the planning of multi-level rail transit system in Nanjing metropolitan area, the feasibility study and special report of the West Extension Project of Hangzhou-Haining intercity railway, the development of the upper cover of Xuhai Road depot of Xuzhou Urban Rail Transit Line 4 phase I Project – project proposal and feasibility study, the preparation of the feasibility study report of the comprehensive transportation center supporting (reserved for rail transit civil engineering) project of the phase III reconstruction and expansion project of Taiyuan Wusu International Airport, the feasibility study of the speed increase project of Beijing Rail Transit Changping Line, the feasibility study of the flood control and drainage upgrading and optimization project of the existing line of Beijing subway and other key preliminary projects also provided sufficient impetus for the sustainable development of the subsequent market. The bid winning of the feasibility study, survey and design of Xiong’an International Trade Center Complex has made an important contribution to the establishment and improvement of the Company’s brand image.

In terms of new business areas: the bid winning of EPC projects such as flood control and drainage upgrading and optimization phase I project of existing lines – design and construction general contracting of station and depot bid sections, design and construction general contracting of flood control and drainage capacity improvement and reconstruction project of low-lying square in front of Beijing Subway station, decoration design of stations of Jinan Urban Rail Transit Line 3 phase II project and production and installation of public works of art marks the further improvement of the integrated development of design and construction of our institute; Hohhot new airport project smart construction site (BIM) integrated management platform bidding, “Pengcheng Cloud Brain (鵬城雲腦)” network intelligent major technology infrastructure project capital construction project whole process investment control cost consulting, intelligent subway big data platform construction research and new retail analysis application scheme research have made expansion in the field of new technology innovation.

RAIL TRANSIT SYNERGIZING WITH INNOVATIVE CONSTRUCTION

The Group will continue to promote the construction and operation of the “National Engineering Research Center for the Green and Safe Construction Technology of Urban Rail Transit (城市軌道交通綠色與安全建造技術國家工程研究中心)” national R&D platform, complete the site selection of large-scale test bases and the functional layout, plane layout and test capacity planning of test bases, and further improve the test and R&D functions of engineering research centers; the approved state-owned capital operation budget supports the enterprise to improve its independent innovation ability project – “Rail Transit Prefabricated Underground Station Intelligent Construction Equipment System R&D and Demonstration Project (軌道交通装配式地下車站智能建造裝備系統研發及示範項目)”. The Group has taken the lead in applying for 2 projects and participated in applying for 2 national key R&D projects.

SURVEY AND MEASUREMENT

The geographic information industry in the survey business has been listed as a national strategic emerging industry, which belongs to the high and new technology service industry. According to the “China Geographic Information Industry Development Report (2021) 《中國地理信息產業發展報告(2021)》” issued by China Geographic Information Industry Association in October 2021, the total output value of China’s geographic information industry in 2020 was RMB689 billion, an increase of 6.4% year-on-year as compared with that of 2019; over the past 10 years, the compound growth rate of the total output value of China’s geographic information industry was 18.5%, and since the “13th Five Year Plan”, the compound growth rate of the total output value of China’s geographic information industry was 13.9%. China’s geographic information industry is shifting from high-speed development to high-quality development that pays more attention to capacity-building, quality and efficiency improvement, and scientific and technological innovation.

At present, the integration and development effect of survey big data information industry is significant. The survey geographic information data and economic, social, cultural, national defense, natural and other data are interrelated and dynamically updated, constantly generating new industrial growth points, and forming a survey information big data application market in the fields of transportation, urban management, agriculture, security and tourism.

The development of the survey industry will promote the construction of smart cities, and the construction of smart cities will also promote the development of the survey industry. With the urbanization and construction of smart city, the construction of intelligent transportation, smart power supply network, Internet of things and communication network will involve a lot of survey big data business. The survey industry will develop rapidly with the opportunity of smart city construction. The construction, operation and maintenance of smart city will also bring large market space for survey business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PPP

In the first half of 2022, focusing on protecting people's livelihood, stabilizing employment and boosting economic development, while strictly controlling the government's implicit debt, the national level paid close attention to infrastructure investment, and issued a package of support policies for the introduction of social capital, the support of special bonds, the support of development and policy financial instruments, and the revitalization of infrastructure stock assets. The infrastructure investment and financing market as a whole was stable and making progress.

In the second half of the year, under the situation that the fiscal and monetary policies of infrastructure investment at the national level continue to increase, the supporting financing support for infrastructure investment and financing will be strengthened, and the vitality of the infrastructure investment and financing market will be further improved. At the same time, according to the relevant requirements of the 11th meeting of the Central Finance and Economics Commission, "we should comprehensively strengthen infrastructure construction, build a modern infrastructure system, promote the standardized development and sunshine operation of the cooperation mode between the government and social capital, and guide social capital to participate in the investment and operation of municipal facilities", combined with the strong demand of the infrastructure system for new infrastructure and the market-oriented development trend of infrastructure investment and financing, PPP and other enterprise investment and financing modes will continue to help China's modern infrastructure construction and promote enterprise transformation and upgrading.

URBAN AND RURAL PLANNING

In combination with the adjustment of Beijing's overall urban planning, we will continue to expand new fields and businesses. The first is to, we will continue to deeply cultivate the business market of characteristic towns; the second is to, in the context of Beijing's deregulation of non-capital functions, seize the urban renewal business, "Back Streets" renovation project, and made major breakthroughs in the field of urban renewal business; the third is to, actively invest in the construction of beautiful villages and undertake a number of rural planning and design projects in combination with the national strategy of "Rural Revitalization"; the fourth is to, extend the service chain in the traditional planning business field, and undertake the overall consulting work while doing a good job in planning and design, which promotes the smooth implementation of Beijing's annual key projects.

CONSTRUCTION BUSINESS

The project of civil-military integration construction was vigorously promoted, and President Xi proposed at the Third Session of the 12th National People's Congress to elevate the development of civil-military integration to a national strategy, which pointed out the direction for the pattern of in-depth development of civil-military integration. The Company firmly seized this opportunity and took service as the premise, and the air force and central China projects continued to perform with high quality.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 18 March 2022, the general office of the Beijing Municipal People's Government issued a Notice on the Implementation Plan of Beijing on Accelerating the Development Of Affordable Rental Housing 《北京市關於加快發展保障性租賃住房的實施方案》 (“The Plan”). The Plan proposes that during the “14th Five Year Plan” period, Beijing will strive to build and raise 400,000 sets of affordable rental housing, accounting for 40% of the total supply of new housing. During the “14th Five Year Plan” period, the supply of new guaranteed rental housing in some central cities ranked high mainly include: Shanghai, Guangzhou, Shenzhen, Hangzhou, Xi'an, Wuhan, Chengdu and Chongqing, with a total of 3.02 million units, of which 820,000 units are planned to be supplied in the above cities in 2022.

The Beijing Municipal People's Government has issued the Beijing Urban Renewal Action Plan (2021-2025) 《北京市城市更新行動計劃(2021-2025年)》, which defines the goals and directions of Beijing's urban renewal in the next five years. In 2022, 411 comprehensive renovation projects of old residential areas in the city were newly confirmed, with a reconstruction area of 14,120,000 m². On 24 April, the first batch of comprehensive renovation projects for old residential areas was announced, involving 366 projects, with a renovation area of 10,680,000 m². (The above data are from the website of the Municipal Commission of Housing and Urban-Rural Development)

OVERALL ENGINEERING CONTRACTING

In the first half of 2022, there are only large-scale construction bidding in the rail transit market in China, such as Qingdao line 6, line 8 and line 15, Guangzhou line 18 north and line 22, Nanjing-Ningyang line, Nanjing-Chuhe suburban railway, and other cities are sporadic projects and closed projects. The construction tasks in the first half of the year are relatively few. With the approval and release of the 14th Five Year Plan for rail transit in major cities, the construction tasks are expected to increase in the second half of 2022, especially the construction of Foshan (line 4), Dongguan (line 2 phase III), Zhongshan (line 18 South) and Guangzhou (line 18 south, line 24, Guangfo west ring, line 8) in Greater Bay Area will begin in the second half of 2022. The publicity of rail transit construction planning in Beijing, Harbin, Zhengzhou, Kunming, Xi'an, Changsha and other cities has also brought new development opportunities to rail transit construction enterprises.

TRANSPORTATION PLANNING AND DATA SERVICES

The transportation planning and design section is mainly based on the digitalization of urban transportation, takes public transportation leading urban development as the guidance, and takes improving the travel quality of residents as its own responsibility to provide the whole process and full cycle services of urban transportation. Key business directions include comprehensive transportation planning, special transportation planning, hub and TOD planning and design, complex transportation consulting, rail transit passenger flow prediction, comprehensive transportation survey, transportation macro and micro model analysis and municipal transportation design.

The transportation planning and design market focuses on the construction/reconstruction of integrated transportation hubs, TOD, urban renewal, micro centers and other fields, takes the integration of stations and cities, the improvement of urban transportation, and the improvement of traffic space quality as the main direction, pays attention to the landing, safety, economy, timeliness, and compatibility of the scheme, and deeply cultivates the key development cities/regions such as Beijing, Xiongan, Greater Bay Area and Hainan, gives play to the driving and leading role in transportation planning and design, the scheme optimization efficiency of macro data and micro models and the comprehensive strength of transportation professional integration and project management.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2022, the application of big data in fine planning and governance fields such as rail transit post evaluation, TOD, urban physical examination update, etc. has increased significantly. The “Urban Simulation” data base platform developed by the transportation research center has been popularized and applied in Beijing Metro, Beijing Municipal Commission of Planning and Natural Resources, Shijiazhuang Metro, China Consulting Corporation and other local and national ministries and commissions, forming a good industry influence. In the future, the country will continue to improve its fine social governance capabilities and put forward continuous and higher requirements for fine and accurate data service capabilities and will face the needs of improving big data governance capabilities in various sub sectors and create a diversified, differentiated and refined data service system.

COMPREHENSIVE PIPELINE CORRIDORS

The comprehensive pipeline corridors closely follow the national policies and market needs, establish a safe, economic, scientific and intensive comprehensive pipe gallery project, and strive to create a sustainable pipeline corridors market environment. Actively participate in the work of the Ministry of Housing and Urban Rural Development to promote the construction of comprehensive pipe gallery, and master the latest national information. Many units have stepped up the marketing and business expansion of the pipe gallery business, and the market competition has become more intense. Especially in core areas, key cities and pilot cities, the competition for market share is even more intense.

INDUSTRIALIZATION

The release of the Outline for Intelligent Urban Rail of China’s Urban Rail Transportation 《中國城市軌道交通智慧城市軌發展綱要》 points out that “intellectualization” is the strategic direction of the development of urban rail transit industry. The introduction of the Opinions on Accelerating Transportation Power Driven by Scientific and Technological Innovation 《關於科技創新驅動加快交通強國的意見》, the Outline of The Medium and Long-Term Development Plan for Scientific and Technological Innovation in the Transportation Field (2021-2035) 《交通領域科技創新中長期發展規劃綱要(2021-2035年)》, the “14th Five Year Plan” for Scientific and Technological Innovation in the Transportation Field 《“十四五”交通領域科技創新規劃》 and other documents made it clear that the construction of rail transit in smart cities should be promoted through independent scientific and technological innovation, and the deep integration of new technological achievements and urban rail transit should be vigorously applied. During the “14th Five Year Plan” period, urban rail transit has changed from focusing on construction to focusing on both construction and operation.

The existing product system of the Company covers passenger service, intelligent operation, intelligent equipment, digital infrastructure and other cutting-edge fields. The Company marches into emerging fields such as intelligent passenger flow management, intelligent maintenance and intelligent emergency management once again. The industrialization direction focusing on operation and maintenance is highly consistent with the development trend of urban rail market, and the business prospect is very broad; the scientific research industrialization system and mechanism of the Company are improving day by day, which is bound to continue to stimulate the vitality of industrialization development and inject strong innovation impetus into the Company.

OTHER INFORMATION

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 2022, the interests and short positions of the following Directors, Supervisors and chief executive of the Company 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 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	Capacity	Class of Shares	Number of Shares (Shares)	Nature of interests	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	Long position	0.01	0.004
Li Guoqing	Executive Director and Deputy General Manager	Personal interest	H Shares	48,000	Long position	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 2022, 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 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 authorised 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

Changes of Directors

The Company approved the appointment at the 2022 first extraordinary general meeting held on 11 March 2022 by way of ordinary resolution. Mr. Wang Hanjun and Mr. Li Guoqing were appointed as executive Directors, Mr. Pei Hongwei, Ms. Shi Huaxin, Mr. Peng Dongdong, Mr. Li Fei, Mr. Wang Tao and Ms. Tang Qimeng were appointed as non-executive Directors, and Mr. Wang Guofeng, Mr. Qin Guisheng, Mr. Ma Xufei and Mr. Xia Peng were appointed as independent non-executive Directors. They were appointed as Directors of the third session of the Board, with a term for three years starting from 11 March 2022. Ms. Wu Donghui, Mr. Guan Jifa, Mr. Ren Yuhang, Mr. Su Bin, Mr. Ren Chong, Mr. Sun Maozhu and Mr. Liang Qinghuai resigned as Directors on the same day due to the re-election of the Board. Please refer to the announcement of the Company dated 11 March 2022 for details.

Changes of Supervisors

The Company approved the appointment at the 2022 first extraordinary general meeting held on 11 March 2022 by way of ordinary resolution. Mr. Hu Shengjie, Ms. Nie Kun, Mr. Fang Binjia and Mr. Li Yan were appointed as the Supervisors of the third session of the Board of Supervisors, and comprised the third session of the Board of Supervisors together with Ms. Yang Huiju, Mr. Liu Hao and Mr. Ban Jianbo, the employee representative Supervisors, with a term for three years starting from 11 March 2022. Mr. Liang Wangnan, Mr. Chen Rui and Mr. Zuo Chuanchang resigned as Supervisors on the same day due to the re-election of the Board of Supervisors. Please refer to the announcement of the Company dated 11 March 2022 for details.

Appointment the Chairman of the Board

The Board elected Mr. Pei Hongwei as the chairman of the third session of the Board at the Board meeting held on 11 March 2022, with immediate effect.

Appointment of Members of Board Committees

The Board elected the following persons as members of the third session of the Board committees at the Board meeting held on 11 March 2022:

Nomination Committee

Chairman: Mr. Pei Hongwei

Members: Mr. Wang Guofeng, Mr. Qin Guisheng

Audit Committee

Chairman: Mr. Xia Peng

Members: Mr. Peng Dongdong, Mr. Qin Guisheng

Remuneration Committee

Chairman: Mr. Wang Guofeng
Members: Mr. Wang Tao, Mr. Ma Xufei

Overseas Risk Control Committee

Chairman: Mr. Pei Hongwei
Members: Mr. Wang Hanjun, Mr. Li Guoqing

Appointment of the Chairman of the Board of Supervisors

The Board of Supervisors elected Mr. Hu Shengjie as the chairman of the third session of the Board of Supervisors at the meeting of the Board of Supervisors held on 11 March 2022, with immediate effect.

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

Mr. WANG Hanjun (*Executive Director*)
Mr. LI Guoqing (*Executive Director*)
Mr. PEI Hongwei (*Chairman, Non-executive Director*)
Ms. SHI Huaxin (*Non-executive Director*)
Mr. PENG Dongdong (*Non-executive Director*)
Mr. LI Fei (*Non-executive Director*)
Mr. WANG Tao (*Non-executive Director*)
Ms. TANG Qimeng (*Non-executive Director*)
Mr. WANG Guofeng (*Independent Non-executive Director*)
Mr. QIN Guisheng (*Independent Non-executive Director*)
Mr. MA Xufei (*Independent Non-executive Director*)
Mr. XIA Peng (*Independent Non-executive Director*)

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

Mr. HU Shengjie (*Chairman of the Board of Supervisors*)
Ms. NIE Kun (*Supervisor*)
Mr. FANG Binjia (*Supervisor*)
Mr. LI Yan (*Supervisor*)
Ms. YANG Huiju (*Employee Representative Supervisor*)
Mr. LIU Hao (*Employee Representative Supervisor*)
Mr. BAN Jianbo (*Employee Representative Supervisor*)

OTHER INFORMATION (CONTINUED)

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 2022, 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 notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as otherwise 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 (Shares)	Nature of Interests	Approximate percentage of total issued Domestic Share capital (%)	Approximate percentage of total issued Share capital (%)
BUCG ¹	Beneficial owner	571,031,118	Long position	59.44	42.34
Beijing Infrastructure Investment Co., Ltd. ²	Beneficial owner	87,850,942	Long position	9.14	6.51
Beijing Chengtong Enterprise Management Center (General Partnership)	Beneficial owner	76,000,000 ³	Long position	7.91	5.64

Notes:

1. BUCG was incorporated by the Beijing Municipal Government.
2. Beijing Infrastructure Investment Co., Ltd. ("Beijing Investment Company") 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. On 4 August 2020, Beijing Investment Company and Beijing MTR Construction Administration Corporation (北京市軌道交通建設管理有限公司) ("MTR Construction") implemented a merger and restructuring. After the merger and restructuring, Beijing Investment Company directly and indirectly holds 199,998,412 shares of the Company (including 131,776,412 Domestic Shares and 68,222,000 H Shares of the Company, accounting for approximately 14.83% of the issued shares of the Company). For details, please refer to the Company's announcement dated 10 August 2020.
3. 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.

OTHER INFORMATION (CONTINUED)

H Shares

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

Notes:

- 1 Beijing Investment Company indirectly held interests in 68,222,000 H Shares of long position of the Company through its wholly-owned subsidiary, Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司)(the "Beijing Investment HK").
- 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 2022, 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 as 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

Strictly complying with the Company Law of the People's Republic of China, the Corporate Governance Code and other laws and regulations, as well as the regulatory requirements of domestic and foreign regulatory authorities, the Company standardized its operation, established and optimized its corporate governance system comprised of general meeting, Board of Directors, Board of Supervisors and senior management, so as to form an operating mechanism of mutual cooperation, coordination and mutual checks and balance among power, decision-making, supervisory and executive organizations. The Company believed that sound corporate governance can facilitate the protection and enhancement of the rights and interests of shareholders and other stakeholders, and maintain a favorable corporate reputation. 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.

THE ARTICLES OF ASSOCIATION

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

During the Reporting Period, the Company received a letter from Beijing Jingguochuang Fund Management Co., Ltd. (北京京國創基金管理有限公司) on 24 January 2022, and its subsidiary Beijing Jingguochuang Advantage Industry Fund (Limited Partnership) (北京京國創優勢產業基金(有限合夥)) completed the acquisition of the 46,000,000 Domestic Shares of the Company held by the Company's domestic shareholder Tianjin Jun Rui Qi Equity Investment Partnership (LLP) (天津君睿祺股權投資合夥企業(有限合夥)) on 30 December 2021, and has completed the transfer registration with China Securities Depository and Clearing Corporation Limited. In accordance with the relevant provisions of the Company Law of the People's Republic of China and other requirements, the Company made corresponding amendments to the Articles of Association after the approval of the Board and the general meeting of the Company. For details of the amendments, please refer to the announcements of the Company dated 22 February 2022 and 11 March 2022 and the circular of the Company dated 24 February 2022.

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 2022.

The Audit Committee of the Company has reviewed the interim report of the Group for the six months ended 30 June 2022 and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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 Investment HK, a wholly-owned subsidiary of 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 held 87,850,942 Domestic Shares of the Company, accounting for 6.90% of the total issued Shares of the Company. Beijing Capital held 73,493,000 H Shares of the Company, accounting for 5.77% of the total issued Shares of the Company. Each of Beijing Investment Company and Beijing Capital does not constitute the substantial shareholder of the Company and the Shares of the Company held by them are deemed as public float. Upon completion of the Share Transfer, Beijing Investment Company increases its shareholding by acquiring 68,222,000 H Shares of the Company, and the total Domestic Shares and H Shares held by it account for 12.26% of the total issued Shares of the Company, and Beijing Investment Company therefore becomes one of the substantial shareholders of the Company and constitutes a connected person under Chapter 14A of the Hong Kong Listing Rules. As such, 68,222,000 H Shares held by Beijing Investment Company would no longer be deemed as transferable shares held by public.

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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To the board of directors 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 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of 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
26 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2022

		Six-month period ended 30 June	
		2022	2021
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	4,466,225	4,604,878
Cost of sales	6	(3,759,288)	(3,792,159)
Gross profit		706,937	812,719
Other income and gains	4	430,981	226,807
Selling and distribution expenses		(29,683)	(32,566)
Administrative expenses		(338,375)	(378,317)
Impairment losses on financial and contract assets, net		(174,654)	(200,855)
Other expenses		–	(2,576)
Finance costs	5	(163,397)	(127,994)
Share of profits and losses of:			
Joint ventures		94,927	123,595
Associates		10,169	157
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	536,905	420,970
Income tax expense	7	(49,451)	(42,094)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		487,454	378,876
DISCONTINUED OPERATION			
Profit for the period from the discontinued operation		–	28,256
PROFIT FOR THE PERIOD		487,454	407,132
Profit attributable to:			
Owners of the parent		496,550	410,010
Non-controlling interests		(9,096)	(2,878)
		487,454	407,132
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)			
For profit for the period		0.37	0.30
For profit from continuing operations		0.37	0.28

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2022

	Six-month period ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
PROFIT FOR THE PERIOD	487,454	407,132
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translation of foreign operations	(144)	81
<i>Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Changes in fair value of equity investments designated at fair value through other comprehensive income	747	(2,175)
Re-measurement loss on defined benefit plans, net of tax	-	(10)
Net other comprehensive income that will not to be reclassified to profit or loss in subsequent periods, net of tax	747	(2,185)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	603	(2,104)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	488,057	405,028
Attributable to:		
Owners of the parent	497,153	407,906
Non-controlling interests	(9,096)	(2,878)
	488,057	405,028

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	825,055	839,591
Goodwill		5,741	5,741
Right-of-use assets	11	512,659	526,837
Contract assets	12	5,132,678	5,305,972
Intangible assets		547,467	562,607
Investments in joint ventures		1,971,299	1,876,372
Investments in associates		467,990	183,593
Equity investments designated at fair value through other comprehensive income	13	16,521	21,665
Financial assets at fair value through profit or loss	14	423,000	419,000
Deferred tax assets		259,053	247,924
Prepayments, other receivables and other assets	16	193,709	306,635
Total non-current assets		10,355,172	10,295,937
CURRENT ASSETS			
Inventories		51,723	84,032
Contract assets	12	4,161,760	3,842,391
Trade and bills receivables	15	3,900,944	4,069,377
Prepayments, other receivables and other assets	16	924,470	995,139
Financial assets at fair value through profit or loss	14	8,602	8,602
Pledged deposits	17	40,212	41,217
Cash and bank balances	17	3,103,872	4,040,356
		12,191,583	13,081,114
Assets of a disposal group classified as held for sale		–	1,086,817
Total current assets		12,191,583	14,167,931
CURRENT LIABILITIES			
Trade and bills payables	18	4,261,824	4,495,346
Other payables and accruals	19	3,966,625	4,775,119
Interest-bearing bank and other borrowings	20	2,780,582	2,377,549
Provisions for supplementary retirement benefits		3,830	3,259
Tax payable		19,874	68,307
Provision		6,213	7,381
		11,038,948	11,726,961
Liabilities directly associated with the assets classified as held for sale		–	997,504
Total current liabilities		11,038,948	12,724,465
NET CURRENT ASSETS		1,152,635	1,443,466
TOTAL ASSETS LESS CURRENT LIABILITIES		11,507,807	11,739,403

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,627	1,945
Other payables and accruals	19	393,814	406,529
Interest-bearing bank and other borrowings	20	4,410,936	4,818,576
Provisions for supplementary retirement benefits		65,141	66,065
Provision		49,444	36,208
Total non-current liabilities		4,921,962	5,329,323
Net assets		6,585,845	6,410,080
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,348,670	1,348,670
Reserves		4,990,659	4,794,728
Non-controlling interests		6,339,329	6,143,398
		246,516	266,682
Total equity		6,585,845	6,410,080

Wang Hanjun
Director

Li Guoqing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2022

	Attributable to owners of the parent										
	Notes	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022 (as previously reported)		1,348,670	737,540	1,948	2,219	461,555	502	3,533,045	6,085,479	266,682	6,352,161
Effect of business combination under common control	2	-	6,000	-	-	9,625	-	42,294	57,919	-	57,919
As at 1 January 2022 (as restated)		1,348,670	743,540	1,948	2,219	471,180	502	3,575,339	6,143,398	266,682	6,410,080
Profit for the period		-	-	-	-	-	-	496,550	496,550	(9,096)	487,454
Other comprehensive income for the period:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	747	-	-	-	-	747	-	747
Exchange differences on translation of foreign operations		-	-	-	-	-	(144)	-	(144)	-	(144)
Total comprehensive income for the period		-	-	747	-	-	(144)	496,550	497,153	(9,096)	488,057
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		-	-	(378)	-	-	-	378	-	-	-
Consideration for the business combination under common control	2	-	(69,770)	-	-	-	-	-	(69,770)	-	(69,770)
Capital contributions from non-controlling shareholders		-	-	-	-	-	-	-	-	45,206	45,206
Disposal of a subsidiary		-	-	-	(2,219)	-	-	-	(2,219)	(46,105)	(48,324)
Final 2021 dividend declared		-	-	-	-	-	-	(226,442)	(226,442)	-	(226,442)
Dividend declared to non-controlling shareholders		-	-	-	-	-	-	-	-	(10,171)	(10,171)
Transfer to special reserve (note (i))		-	-	-	37,329	-	-	(37,329)	-	-	-
Utilisation of special reserve (note (i))		-	-	-	(37,329)	-	-	37,329	-	-	-
Others		-	1,353	-	-	-	-	(4,144)	(2,791)	-	(2,791)
At 30 June 2022 (unaudited)		1,348,670	675,123*	2,317*	-*	471,180*	358*	3,841,681*	6,339,329	246,516	6,585,845

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six-month period ended 30 June 2022

	Attributable to owners of the parent										
	Note	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021 (as previously reported)		1,348,670	739,780	5,288	-	384,319	293	2,971,760	5,450,110	297,963	5,748,073
Effect of business combination under common control	2	-	6,000	-	-	3,724	-	41,234	50,958	-	50,958
As at 1 January 2021 (as restated)		1,348,670	745,780	5,288	-	388,043	293	3,012,994	5,501,068	297,963	5,799,031
Profit for the period		-	-	-	-	-	-	410,010	410,010	(2,878)	407,132
Other comprehensive income for the period:											
Re-measurement loss on defined benefit plans, net of tax		-	(10)	-	-	-	-	-	(10)	-	(10)
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	(2,175)	-	-	-	-	(2,175)	-	(2,175)
Exchange differences on translation of foreign operations		-	-	-	-	-	81	-	81	-	81
Total comprehensive income for the period		-	(10)	(2,175)	-	-	81	410,010	407,906	(2,878)	405,028
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(5,012)	(5,012)
Final 2020 dividend declared		-	-	-	-	-	-	(211,471)	(211,471)	-	(211,471)
Dividend declared to non-controlling shareholders		-	-	-	-	-	-	-	-	(9,610)	(9,610)
Transfer to special reserve (note (i))		-	-	-	52,098	-	-	(52,098)	-	-	-
Utilisation of special reserve (note (i))		-	-	-	(52,098)	-	-	52,098	-	-	-
At 30 June 2021 (as restated)		1,348,670	745,770*	3,113*	-*	388,043*	374*	3,211,533*	5,697,503	280,463	5,977,966

* These reserve accounts comprise the consolidated reserves of RMB4,990,659,000 (unaudited) (30 June 2021: RMB4,348,833,000 (unaudited)) in the interim condensed consolidated statement of financial position as at 30 June 2022.

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 2022 and 2021 respectively for safety production expense purposes as required by the directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained profits.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2022

	Note	Six-month period ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		536,905	420,970
From the discontinued operation		–	29,567
Adjustments for:			
Finance costs		163,397	128,162
Interest income		(217,193)	(215,738)
Share of profits and losses of associates and joint ventures		(105,096)	(123,752)
Depreciation of right-of-use assets		64,937	50,573
Gain on disposal of a subsidiary	21	(145,567)	–
Depreciation of property, plant and equipment		31,744	44,061
Impairment of trade and bills receivables, net		117,861	134,661
Impairment of other receivables, net		18,891	6,676
Impairment of contract assets, net		37,902	71,193
Others		(21,650)	5,816
		482,131	552,189
Decrease in inventories		32,309	26,228
Decrease/(increase) in contract assets		4,007	(375,063)
Decrease/(increase) in trade and bills receivables		50,571	(366,323)
Decrease/(increase) in prepayments, other receivables and other assets		159,270	(78,640)
(Decrease)/increase in trade and bills payables		(155,909)	63,610
Decrease in other payables and accruals		(1,048,816)	(575,559)
Increase in provision		8,636	6,570
Decrease in pledged deposits		1,005	4,850
(Decrease)/increase in provisions for supplementary retirement benefits		(924)	929
Cash used in operations		(467,720)	(741,209)
Interest received		36,735	6,657
Income tax paid		(108,582)	(85,632)
Net cash flows used in operating activities		(539,567)	(820,184)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six-month period ended 30 June 2022

	Notes	Six-month period ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(53,053)	(67,885)
Additions to intangible assets		(3,057)	(115,525)
Additions of financial assets at fair value through profit or loss		–	(8,208)
Addition of investments in joint ventures and associates		(61,200)	(40,600)
Proceeds from disposal of property, plant and equipment		32	6,032
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		1,996	–
Dividends received from associates		834	30
Loans provided to a joint venture		–	(204,000)
Withdraw of investment to a non-controlling shareholder		–	(5,012)
Acquisition of a subsidiary under common control		(69,770)	–
Disposal of a subsidiary, net of cash disposed of	21	(102,327)	–
Interest received		3,150	–
Net cash flows used in investing activities		(283,395)	(435,168)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(143,464)	(114,270)
Dividend paid to shareholders		–	(5,666)
Dividend paid to non-controlling shareholders		(9,500)	(8,210)
Principal portion of lease payments		(80,266)	(59,902)
New bank and other borrowings		657,000	633,279
Repayment of bank and other borrowings		(651,599)	(152,791)
Net cash flows (used in)/from financing activities		(227,829)	292,440
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		4,142,440	3,540,309
Effect of exchange rate changes on cash and cash equivalents		11,980	(3,867)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17	3,103,629	2,573,530

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE AND GROUP INFORMATION

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

The registered address of the office 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; and
- Construction contracting services for urban rail transit and the service concession arrangements under the build-operate-transfer (“BOT”) arrangements.

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

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 2022 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 2021.

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.

Merger accounting for business combinations under common control

Pursuant to an agreement entered into between the Company and Beijing Uni.-Construction Group Co., Ltd. (“BUCC”, a wholly-owned subsidiary of BUCG) on 22 February 2022, the Company agreed to acquire the entire equity interest of Beijing Institute of Residential Building Design & Research Co., Ltd. (the “Residential Institute”, a wholly-owned subsidiary of BUCC) at a cash consideration of RMB69,769,600.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

2.1 Basis of preparation (continued)

The Company and Residential Institute are under the common control of BUCG both before and after the acquisition and such controls are not transitory. Thus, the acquisition was considered to be business combination under common control and merger accounting basis was adopted.

Accordingly, the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 and 30 June 2021 include the financial statements of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this was a shorter period, regardless of the date of the common control combination. The net assets of the combining entities or businesses were combined using the existing book values from the controlling parties' perspective. No amount was recognised in consideration of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination.

The Group's comparative unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 were restated to include the financial statements of Residential Institute retrospectively under the merger accounting basis as mentioned above.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses etc., costs incurred in relation to the common control combination that were accounted for by using merger accounting were recognised as expenses in the period in which they were incurred.

The operating results previously reported by the Group for the six months ended 30 June 2021 have been restated to include the operating results of the Residential Institute as set out below:

	The Group (as previously reported) RMB'000 (Unaudited)	Discontinued operation RMB'000 (Unaudited)	Residential Institute RMB'000 (Unaudited)	The Group (Restated) RMB'000 (Unaudited)
Revenue	4,822,047	(368,727)	151,558	4,604,878
Profit before tax from continuing operations	442,875	(29,567)	7,662	420,970
Profit for the period from continuing operations	400,307	(28,256)	6,825	378,876

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

2.1 Basis of preparation (continued)

The financial positions previously reported by the Group at 31 December 2021 and 1 January 2021 have been restated to include the assets and liabilities of the Residential Institute as set out below:

31 December 2021

	The Group (as previously reported) RMB'000	Residential Institute RMB'000 (Unaudited)	The Group (Restated) RMB'000 (Unaudited)
Non-current assets	10,277,880	18,057	10,295,937
Current assets	13,950,052	217,879	14,167,931
Current liabilities	12,546,448	178,017	12,724,465
Non-current liabilities	5,329,323	–	5,329,323
Equity	6,352,161	57,919	6,410,080

1 January 2021

	The Group (as previously reported) RMB'000	Residential Institute RMB'000 (Unaudited)	The Group (Restated) RMB'000 (Unaudited)
Non-current assets	9,367,874	25,470	9,393,344
Current assets	11,691,637	89,703	11,781,340
Current liabilities	9,826,669	63,967	9,890,636
Non-current liabilities	5,484,769	248	5,485,017
Equity	5,748,073	50,958	5,799,031

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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised standards for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

2.2 Changes in accounting policies and disclosures (continued)

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

2.2 Changes in accounting policies and disclosures (continued)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- *IFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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:

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

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

Segment assets exclude deferred tax assets, unallocated cash and bank balances, unallocated pledged deposits as these assets are managed on a group basis.

Segment liabilities exclude tax payable, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2022

	Design, survey and consultancy (Unaudited) RMB'000	Construction contracting (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Sales to external customers	2,015,397	2,450,828	–	4,466,225
Intersegment sales	2,677	–	(2,677)	–
Total revenue	2,018,074	2,450,828	(2,677)	4,466,225
Segment results	481,421	4,410	(2,722)	483,109
Finance costs	(23,066)	(140,331)	–	(163,397)
Interest income	2,520	201,287	–	203,807
Profit of segments for the period	460,875	65,366	(2,722)	523,519
Unallocated interest income				13,386
Income tax expense				(49,451)
Profit for the period				487,454
Segment assets	9,931,850	11,921,913	(838,692)	21,015,071
Corporate and other unallocated assets				1,531,684
Total assets				22,546,755
Segment liabilities	6,164,397	10,319,733	(812,834)	15,671,296
Corporate and other unallocated liabilities				289,614
Total liabilities				15,960,910

3. OPERATING SEGMENT INFORMATION (CONTINUED)
Six-month period ended 30 June 2022 (continued)

	Design, survey and consultancy (Unaudited) RMB'000	Construction contracting (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
Other segment information				
Share of profits and losses of:				
Joint ventures	94,927	–	–	94,927
Associates	10,169	–	–	10,169
Depreciation	82,945	13,736	–	96,681
Amortisation	4,516	13,680	–	18,196
Provision for				
– foreseeable losses on contracts, net	3,398	34	–	3,432
– impairment of trade and bills receivables, other receivables and contract assets, net	117,315	57,339	–	174,654
Investments in joint ventures	1,971,299	–	–	1,971,299
Investments in associates	467,990	–	–	467,990
Capital expenditure*	67,992	4,320	–	72,312

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2021 (Restated)

	Design, survey and consultancy (Unaudited) RMB'000	Construction contracting (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Sales to external customers	1,904,171	2,700,707	–	4,604,878
Intersegment sales	47,228	–	(47,228)	–
Revenue from continuing operations	1,951,399	2,700,707	(47,228)	4,604,878
Segment results				
Finance costs	(11,490)	(116,504)	–	(127,994)
Interest income	587	210,687	–	211,274
Profit of segments for the period from continuing operations	309,933	103,662	2,954	416,549
Unallocated interest income				4,421
Income tax expense				(42,094)
Profit for the period from continuing operations				378,876
Segment assets				
Corporate and other unallocated assets	9,359,290	11,493,188	(1,289,223)	19,563,255
Assets related to the discontinued operation				1,154,676
				754,584
Total assets				21,472,515
Segment liabilities				
Corporate and other unallocated liabilities	6,700,688	9,360,703	(1,282,939)	14,778,452
Liabilities related to the discontinued operation				32,468
				683,629
Total liabilities				15,494,549

3. OPERATING SEGMENT INFORMATION (CONTINUED)
Six-month period ended 30 June 2021 (Restated) (continued)

	Design, survey and consultancy (Unaudited) RMB'000	Construction contracting (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
Other segment information				
Share of profits and losses of:				
Joint ventures	123,595	–	–	123,595
Associates	157	–	–	157
Depreciation	77,358	7,514	–	84,872
Amortisation	4,068	–	–	4,068
Provision for				
– foreseeable losses on contracts, net	1,286	264	–	1,550
– impairment of trade and bills receivables, other receivables and contract assets, net	106,766	94,089	–	200,855
Investments in joint ventures	1,805,118	–	–	1,805,118
Investments in associates	66,372	–	–	66,372
Capital expenditure*				
– continuing operations	95,160	85,643	–	180,803
– discontinued operation	–	13,876	–	13,876

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

4. REVENUE, OTHER INCOME AND GAINS

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

	Six-month period ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
<i>Revenue from contracts with customers</i>	4,459,823	4,538,818
<i>Revenue from other sources</i>		
Gross rental income	6,402	66,060
	4,466,225	4,604,878

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six-month period ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Types of goods or services		
Design, survey and consultancy	2,011,022	1,902,889
Construction contracting	2,448,801	2,635,929
	4,459,823	4,538,818
Timing of revenue recognition		
Service transferred at a point in time	24,142	27,794
Service transferred over time	4,435,681	4,511,024
	4,459,823	4,538,818
Geographical markets		
China	4,446,256	4,515,156
Other countries	13,567	23,662
	4,459,823	4,538,818

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 to the amounts disclosed in the segment information:

For the six-month period ended 30 June 2022 (Unaudited)

Segments	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	2,011,022	2,448,801	4,459,823
Intersegment sales	2,677	–	2,677
	2,013,699	2,448,801	4,462,500
Intersegment adjustments and eliminations	(2,677)	–	(2,677)
Total revenue from contracts with customers	2,011,022	2,448,801	4,459,823

For the six-month period ended 30 June 2021 (Restated)

Segments	Design, survey and consultancy RMB'000	Construction contracting RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	1,902,889	2,635,929	4,538,818
Intersegment sales	47,228	–	47,228
	1,950,117	2,635,929	4,586,046
Intersegment adjustments and eliminations	(47,228)	–	(47,228)
Total revenue from contracts with customers	1,902,889	2,635,929	4,538,818

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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.

		Six-month period ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
			(Restated)
Other income and gains			
Interest income		217,193	215,695
Gain on disposal of a subsidiary	21	145,567	–
Fair value gains of financial assets at fair value			
through profit or loss		4,000	–
Government grants		3,855	2,329
Foreign exchange gains		12,123	–
Additional tax deduction for input VAT		15,069	2,392
Others		33,174	6,391
		430,981	226,807

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Interest on bank and other borrowings	155,575	119,503
Interest on lease liabilities	7,822	8,491
	163,397	127,994

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

6. PROFIT BEFORE TAX

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

	Notes	Six-month period ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Cost of design, survey and consultancy services		1,433,812	1,339,909
Cost of construction contracts		2,325,476	2,452,250
Total cost of sales		3,759,288	3,792,159
Depreciation of property, plant and equipment		31,744	39,236
Depreciation of right-of-use assets		64,937	45,636
Amortisation of intangible assets		18,196	4,068
Total depreciation and amortisation		114,877	88,940
Impairment of trade and bills receivables, net	15	117,861	123,034
Impairment of contract assets, net	12	37,902	71,193
Impairment of other receivables, net	16	18,891	6,628
Lease payments not included in the measurement of lease liabilities		154,947	183,465
Employee benefit expenses (excluding directors' and supervisors' remuneration):			
Wages, salaries and allowances		627,753	715,007
Retirement benefit costs			
– Defined contribution retirement schemes		66,780	81,972
– Defined benefit retirement schemes		1,910	1,900
Total retirement benefit costs		68,690	83,872
Welfare and other expenses		198,403	169,681
Total employee benefit expenses		894,846	968,560
Fair value gains of financial assets at fair value through profit or loss	4	(4,000)	–
Interest income	4	(217,193)	(215,695)
Gain on disposal of a subsidiary	21	(145,567)	–
Government grants	4	(3,855)	(2,329)
Gain on disposal of property, plant and equipment and right-of-use assets, net		(90)	(2,618)
Foreign exchange differences, net		(12,123)	2,577

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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 rate of 15% for the periods ended 30 June 2022 and 2021 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 during the six-month periods ended 30 June 2022 and 2021.

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Current income tax – Mainland China	60,205	77,932
Deferred income tax	(10,754)	(35,838)
Total tax charge for the period from continuing operations	49,451	42,094
Total tax charge for the period from the discontinued operation	–	1,311
	49,451	43,405

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 2022 and 2021 is as follows:

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Profit before tax from continuing operations	536,905	420,970
Profit before tax from the discontinued operation	–	29,567
	536,905	450,537
Income tax charge at the statutory income tax rate	134,226	112,634
Effect of different income tax rates for some entities	(29,840)	(38,272)
Tax effect of share of profits and losses of joint ventures and associates	(26,274)	(30,938)
Income not subject to tax	(43,158)	–
Expenses not deductible for tax purposes	4,496	2,819
Tax losses utilised from previous periods	(180)	–
Effect of not recognised deferred tax assets due to asset impairment	16,227	–
Adjustments in respect of current tax of previous periods	(6,046)	(2,923)
Tax losses not recognised	–	85
Tax charge for the period at the effective rate	49,451	43,405
Tax charge from continuing operations at the effective rate	49,451	42,094
Tax charge from the discontinued operation at the effective rate	–	1,311

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

8. DIVIDENDS

The dividends for the six-month periods ended 30 June 2022 and 2021 are set out below:

	<i>Note</i>	Six-month period ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Declared 2021 final dividend – RMB0.1679 (2020: RMB0.1568) per ordinary share	(i)	226,442	211,471

Note:

- (i) At the annual general meeting held on 27 May 2022, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2021 of RMB0.1679 per share which amounted to RMB226,442,000 in total.

At the annual general meeting held on 28 May 2021, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2020 of RMB0.1568 per share which amounted to RMB211,471,000 in total.

The directors did not recommend the payment of an interim dividend for the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amounts 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 2022 and 2021.

	Six-month period ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent		
From continuing operations	496,550	381,754
From the discontinued operation	–	28,256
	496,550	410,010

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

	Six-month period ended 30 June	
	2022 (Unaudited) '000	2021 (Unaudited) '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	1,348,670	1,348,670

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB17,343,000 (unaudited) (six-month period ended 30 June 2021 (Restated): RMB47,764,000).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB135,000 (unaudited) (six-month period ended 30 June 2021 (Restated): RMB1,589,000) were disposed of, which resulted in a net gain on disposal of approximately RMB90,000 (six-month period ended 30 June 2021 (Restated): a net gain on disposal of approximately RMB2,618,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, motor vehicles and other equipment in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 32 months and 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms of 13 months and 21 years, while motor vehicles, measurement and experimental equipment generally have lease terms of 13 months and 6 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Measurement and experimental equipment RMB'000	Total RMB'000
As at 1 January 2022 (Restated)	210,866	312,276	2,559	1,136	526,837
Additions	13,916	36,112	1,825	58	51,911
Disposal	–	(1,152)	–	–	(1,152)
Depreciation	(4,176)	(57,336)	(2,483)	(942)	(64,937)
As at 30 June 2022 (Unaudited)	220,606	289,900	1,901	252	512,659
	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Measurement and experimental equipment RMB'000	Total RMB'000
As at 1 January 2021 (Restated)	216,018	231,149	4,531	–	451,698
Additions	–	284,481	2,551	1,913	288,945
Assets included in the discontinued operation	–	(38,142)	–	–	(38,142)
Disposal	–	(55,689)	(249)	–	(55,938)
Depreciation	(5,152)	(109,523)	(4,274)	(777)	(119,726)
As at 31 December 2021 (Restated)	210,866	312,276	2,559	1,136	526,837

11. LEASES (CONTINUED)
The Group as a lessee (continued)
(b) Lease liabilities

The carrying amount of lease liabilities (included in interest-bearing bank and other borrowings) and the movements during the period/year are as follows:

	Six-month period ended 30 June 2022 (Unaudited) RMB'000	Year ended 31 December 2021 (Restated) RMB'000
Carrying amount at 1 January	315,751	229,914
New leases	51,911	288,945
Assets included in the discontinued operation	–	(43,111)
Disposal	(1,586)	(60,487)
Accretion of interest recognised	7,822	15,741
Payments	(80,266)	(115,251)
Carrying amount at 30 June/31 December	293,632	315,751
Portion classified as current liabilities	(105,189)	(104,916)
Non-current portion	188,443	210,835

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Six-month period ended 30 June 2022 (Unaudited) RMB'000	Year ended 31 December 2021 (Restated) RMB'000
Interest on lease liabilities	7,822	15,741
Depreciation of right-of-use assets	64,937	119,726
Expense relating to short-term leases and other leases	4,850	27,618
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	150,097	345,152
Total amount recognised in profit or loss	227,706	508,237

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

11. LEASES (CONTINUED)

The Group as a lessor

The Group leases its equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was RMB6,402,000 (unaudited) (six-month period ended 30 June 2021 (Restated): RMB66,060,000), details of which are included in note 4.

At 30 June 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Within one year	2,358	4,716

12. CONTRACT ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
	<i>Note</i>	
Contract assets arising from:		
Design, survey and consultancy services	2,821,598	2,680,456
Construction services	6,720,907	6,678,072
	9,542,505	9,358,528
Impairment	(248,067)	(210,165)
	9,294,438	9,148,363
Portion classified as non-current contract assets	(5,132,678)	(5,305,972)
Current portion	4,161,760	3,842,391

Note:

- (i) The non-current portion of contract assets mainly represents the contract assets arising from service concession arrangements and retention money.

12. CONTRACT ASSETS (CONTINUED)

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Amounts of retentions in contract assets	50,489	14,438

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 completion of design, survey and consultancy and construction, respectively. Upon the 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 2022, RMB37,902,000 (unaudited) 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.

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

	Six-month period ended 30 June 2022 (Unaudited) RMB'000	Year ended 31 December 2021 (Restated) RMB'000
At beginning of period/year	210,165	137,428
Impairment losses recognised	39,524	81,139
Impairment losses reversed	(1,622)	(387)
Impairment losses included in the discontinued operation	-	(8,015)
At end of period/year	248,067	210,165

As at 30 June 2022, the Group's contract assets of RMB6,069,124,000 (unaudited) (31 December 2021: RMB6,262,047,000) were pledged to secure certain of the Group's bank loans amounting to RMB5,293,349,000 (unaudited) (31 December 2021: RMB5,302,309,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

12. CONTRACT ASSETS (CONTINUED)

The amounts due from the beneficial shareholders of the Company (the "Beneficial Shareholders"*) and their affiliates, BUCG, fellow subsidiaries and other related parties included in the contract assets are as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Beneficial Shareholders and their affiliates	375,438	261,279
BUCG	47,754	29,583
Fellow subsidiaries	31,123	19,924
Non-controlling shareholders	16,421	–
Associates of BUCG	6,144	2,112
Associates	1,592	1,454
Joint ventures	1,047	581
A joint venture of BUCG	988	380
	480,507	315,313

* 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.

13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Jiangsu Urban Rail Transit Design Research Institute Co., Ltd. ("江蘇城市軌道交通研究設計院股份有限公司")	3,500	3,500
Zhongdixin Geographic Information Equity Investment Fund Limited ("中地信地理信息股權投資基金")	6,000	7,000
Zhongshan Deep Water Environmental Water Co., Ltd. ("中山市深水環境水務有限公司")	1	1
China Communications Fourth Airlines (Zhongshan) Environmental Protection Engineering Co., Ltd. ("中交四航(中山)環保工程有限公司")	20	20
Beijing Jingxi Ecological Cultural Tourism Investment Co., Ltd. ("北京京西生態文旅投資有限公司")	7,000	7,000
Beijing Uni.-Construction Vanke Industrial Technology Co., Ltd. ("北京住總萬科建築工業化科技股份有限公司")	–	4,144
	16,521	21,665

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Unlisted equity investment, at fair value – non current		
Shaoxing Jingyue Metro Co., Ltd. (“紹興京越地鐵有限公司”)	423,000	419,000
Unlisted equity investment, at fair value – current		
Beijing Jiuzhou first rail Environmental Technology Co., Ltd (“北京九州一軌環境科技有限公司”)	8,602	8,602
	431,602	427,602

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The Group provided design, survey and consultancy services to Shaoxing Jingyue Metro Co., Ltd. amounting to RMB8,194,000 for the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: RMB12,197,000).

15. TRADE AND BILLS RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Trade receivables	5,021,909	5,012,177
Bills receivable	15,271	75,575
	5,037,180	5,087,752
Impairment	(1,136,236)	(1,018,375)
	3,900,944	4,069,377

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Within 6 months	1,218,950	1,351,699
6 months to 1 year	827,914	786,700
1 to 2 years	1,052,775	1,012,188
2 to 3 years	382,482	447,407
3 to 4 years	244,313	356,004
4 to 5 years	164,611	108,827
Over 5 years	9,899	6,552
	3,900,944	4,069,377

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

	Six-month period ended 30 June 2022 (Unaudited) RMB'000	Year ended 31 December 2021 (Restated) RMB'000
At beginning of period/year	1,018,375	766,371
Impairment losses recognised	125,069	306,300
Impairment losses reversed	(7,208)	(12,326)
Impairment losses included in the discontinued operation	–	(41,970)
At end of period/year	1,136,236	1,018,375

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Beneficial Shareholders and their affiliates	412,985	415,496
BUCG	134,303	155,067
Joint ventures	115,024	119,445
Fellow subsidiaries	47,693	46,454
Associates of BUCG	3,596	2,289
Non-controlling shareholders	2,635	–
An associate	433	454
	716,669	739,205

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to other major customers of the Group, except for trade receivables of RMB288,726,000 (unaudited) at 30 June 2022 (31 December 2021: RMB224,882,000) which were pledged to secure certain of the Group's bank loans amounting to RMB5,293,349,000 (unaudited) (31 December 2021: RMB5,302,309,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Note</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Prepayments		320,587	382,389
Deductible value-added tax		315,024	437,546
Deposits and other receivables		536,861	517,241
		1,172,472	1,337,176
Impairment		(54,293)	(35,402)
		1,118,179	1,301,774
Portion classified as non-current assets	<i>(i)</i>	(193,709)	(306,635)
Current portion		924,470	995,139

Note:

- (i) The non-current portion of prepayments, other receivables and other assets mainly represents deductible value-added tax.

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

	Six-month period ended 30 June 2022 (Unaudited) RMB'000	Year ended 31 December 2021 (Restated) RMB'000
At beginning of period/year	35,402	24,905
Impairment losses recognised	28,135	17,802
Impairment losses reversed	(9,244)	(6,122)
Impairment losses included in the discontinued operation	-	(1,183)
At end of period/year	54,293	35,402

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

The amounts due from joint ventures, associates, fellow subsidiaries and other related parties included in the prepayments, other receivables and other assets are as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Joint ventures	206,830	211,554
Associates	79,263	299
Fellow subsidiaries	48,126	120,207
BUCG	1,605	2,064
Beneficial Shareholders and their affiliates	1,024	1,269
A non-controlling shareholder	20	–
	336,868	335,393

As at 30 June 2022, the amounts due from a joint venture amounting to RMB213,830,000 bear interest at 4.785% per annum.

Except for the above, prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of settlement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

17. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Cash and bank balances	3,143,841	4,081,330
Time deposits	243	243
	3,144,084	4,081,573
Pledged bank balances for bidding guarantees and performance guarantees	(40,212)	(41,217)
Cash and bank balances in the interim condensed consolidated statement of financial position	3,103,872	4,040,356
Non-pledged time deposits with original maturity of more than three months when acquired	(243)	(243)
Cash and short-term deposits attributable to the discontinued operation	–	102,327
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	3,103,629	4,142,440
Cash and bank balances and time deposits denominated in:		
– RMB	2,911,806	3,849,806
– Other currencies	232,278	231,767
	3,144,084	4,081,573

18. TRADE AND BILLS PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Trade payables	4,161,632	4,442,902
Bills payable	100,192	52,444
	4,261,824	4,495,346

18. TRADE AND BILLS PAYABLES (CONTINUED)

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Within 6 months	1,405,975	1,706,226
6 months to 1 year	915,271	943,794
1 to 2 years	885,142	721,410
2 to 3 years	348,005	340,229
Over 3 years	707,431	783,687
	4,261,824	4,495,346

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Associates of BUCG	74,553	129,232
Beneficial Shareholders and their affiliates	33,272	67,981
Fellow subsidiaries	30,180	35,571
An associate	17,936	–
A non-controlling shareholder	16,060	–
BUCG	12,708	11,833
Joint ventures	9,165	9,592
	193,874	254,209

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

19. OTHER PAYABLES AND ACCRUALS

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
	<i>Notes</i>		
Contract liabilities	<i>(i)</i>	2,595,114	3,358,899
Accrued salaries, wages and benefits		455,948	482,909
Other taxes payable		701,653	859,094
Retention payables		112,108	200,548
Dividend payables		267,113	40,000
Deferred income		15,023	17,661
Other payables		213,480	222,537
		4,360,439	5,181,648
Portion classified as non-current liabilities	<i>(ii)</i>	(393,814)	(406,529)
Current portion		3,966,625	4,775,119

Notes:

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Short-term advances received from customers	590,967	763,456
Amounts due to contract customers	2,004,147	2,595,443
Total contract liabilities	2,595,114	3,358,899

(ii) The non-current portion mainly represents output value-added tax, the performance guarantee amounts from subcontractors and suppliers of the Group and government grants as at the reporting date.

19. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to the Beneficial Shareholders and their affiliates, fellow subsidiaries, a joint venture and other related parties included in other payables and accruals are as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Beneficial Shareholders and their affiliates	205,276	387,866
Fellow subsidiaries	68,929	139,569
A joint venture	64,604	60,347
BUCG	60,467	59,686
Associates of BUCG	37,203	65,007
Non-controlling shareholders	27,138	10,140
Associates	9,979	2,754
	473,596	725,369

The other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of settlement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2022 (Unaudited)			As at 31 December 2021 (Restated)		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Non-current						
Long-term bank loans:						
– Secured (i)	4.41%-5.11%	2024-2045	3,354,000	4.42%-5.11%	2023-2045	3,748,000
Long-term other borrowings:						
– Unsecured	3.53%-4.90%	2024-2026	868,493	3.53%-4.90%	2023-2026	859,741
Lease liabilities:						
– Secured	4.75%-4.90%	2024-2041	188,443	4.75%-4.90%	2023-2041	210,835
			4,410,936			4,818,576
Current						
Current portion of long-term bank loans:						
– Secured (i)	4.41%-5.11%	2023	1,939,349	4.42%-5.11%	2022	1,554,309
Short-term bank loans:						
– Unsecured	3.50%-4.235%	2023	118,592	3.915%-4.235%	2022	113,192
Current portion of lease liabilities:						
– Secured	4.75%-4.90%	2023	105,189	4.75%-4.90%	2022	104,916
Current portion of long-term other borrowings:						
– Unsecured	2.45%-3.98%	2023	617,452	2.95%-3.98%	2022	605,132
			2,780,582			2,377,549
			7,191,518			7,196,125
Denominated in:						
– RMB			7,191,518			7,196,125

- (i) The bank loans of RMB5,293,349,000 (unaudited) (31 December 2021: RMB5,302,309,000) were secured by the right of future contract assets, trade receivables and intangible assets for certain service concession arrangements.

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

The maturity profile of the interest-bearing bank and other loans as at 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	2,073,547	1,667,501
In the second year	224,851	226,500
In the third to fifth years, inclusive	906,804	1,547,000
Over five years	2,222,345	1,974,500
	5,427,547	5,415,501
Other borrowings repayable:		
Within one year	601,846	605,132
In the second year	120,000	120,000
In the third to fifth years, inclusive	748,493	739,741
	1,470,339	1,464,873
Lease liabilities repayable:		
Within one year	105,189	104,916
In the second year	75,981	74,967
In the third to fifth years, inclusive	74,596	98,608
Over five years	37,866	37,260
	293,632	315,751
	7,191,518	7,196,125

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
A non-controlling shareholder	258,000	258,000

21. DISPOSAL OF A SUBSIDIARY

On 10 November 2021, the Company announced the decision of its board of directors to dispose of Beijing Urban Construction Zhikong Technology Co., Ltd. ("BUCZT") by entering a capital increase agreement with BUCG and its affiliate, Beijing Chengke Yunchuang Enterprise Management Partnership (Limited Partnership) as well as other parties (details of which are set out in the announcement of the Company dated 10 November 2021). BUCZT engages in the research and development, production, sales and integration services businesses of products related to the rail transit. The Group has decided to cease the business mainly because it plans to optimise resource allocation and focus on the development of the principal business. As at 30 June 2022, the disposal of BUCZT was completed and BUCG became a controlling shareholder of BUCZT. The articles of association of BUCZT were revised accordingly upon the completion of the disposal. Therefore, the Group's equity interests decreased from 60% to approximately 30.83%, and the Group lost its control over BUCZT. Upon the completion of such disposal, BUCZT was accounted as an investment in an associate in the consolidated statement of financial position of the Group.

The net assets of BUCZT disposed of as at 4 January 2022, the date of disposal, were as follows:

	<i>Note</i>	As at the date of disposal RMB'000 (Unaudited)
Net assets disposed of:		
Total non-current assets		103,565
Total current assets		1,098,744
Total current liabilities		(1,056,846)
Total non-current liabilities		(30,200)
		115,263
Non-controlling interests		(46,105)
Net assets attributable to the parent company		69,158
Investment in an associate		(214,725)
Gain on disposal of a subsidiary	4	145,567
Satisfied by cash		–

21. DISPOSAL OF A SUBSIDIARY (CONTINUED)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired	–
Cash and cash equivalents disposed of	(102,327)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(102,327)

22. COMMITMENTS

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Contracted, but not provided for:		
Equity investments	2,151,391	2,836,570
Property, plant and equipment	13,362	7,310
	2,164,753	2,843,880

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

23. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties for the six-month periods ended 30 June 2022 and 2021:

	Six-month period ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	197,052	178,275
BUCG	56,966	28,192
Fellow subsidiaries	13,878	22,740
Non-controlling shareholders	12,431	–
Associates of BUCG	5,162	1,980
A joint venture of BUCG	1,274	955
A joint venture	467	1,050
Associates	287	421
	287,517	233,613
Construction contracting services provided to:		
Beneficial Shareholders and their affiliates	842,013	810,099
Fellow subsidiaries	30,039	157,659
BUCG	23,788	5,040
A joint venture	1,294	146,420
An associate of BUCG	88	14,317
	897,222	1,133,535
Construction contracting services provided by:		
A non-controlling shareholder	10,600	–
Fellow subsidiaries	3,556	168,555
Associates of BUCG	246	17,714
Beneficial Shareholders and their affiliates	–	32,111
BUCG	–	8,680
	14,402	227,060

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties for the six-month periods ended 30 June 2022 and 2021: (continued)

	Six-month period ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Design, survey and consultancy services provided by:		
A joint venture	40,296	32,331
An associate	11,909	–
Fellow subsidiaries	5,562	4,158
Beneficial Shareholders	4,189	3,749
Associates of BUCG	1,249	15,160
	63,205	55,398
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	6,323	6,270
BUCG	3,412	1,649
A Beneficial Shareholder	1,211	–
	10,946	7,919
Interest income received or receivable from:		
A joint venture	5,017	2,206
An associate	2,333	–
	7,350	2,206
Rental income from:		
A fellow subsidiary	2,358	2,182
Loans provided to:		
A joint venture	9,830	204,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties for the six-month periods ended 30 June 2022 and 2021: (continued)

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

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 2022 and 2021, 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.

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

	Notes	Employee stock ownership scheme	
		Number of shares	
		30 June 2022 (Unaudited) '000	30 June 2021 (Unaudited) '000
Executive Directors			
Mr. Wang Hanjun (王漢軍) (Chief executive)		1,000	1,000
Mr. Li Guoqing (李國慶)		1,000	1,000
		2,000	2,000
Key management personnel			
Mr. Yang Xiuren (楊秀仁)		750	750
Ms. Cheng Yan (成硯)		350	350
Mr. Jin Huai (金淮)		750	750
Mr. Wang Liang (王良)		750	750
Mr. Yu Songwei (于松偉)		750	750
Mr. Xiao Mujun (肖木軍)		750	750
Mr. Liu Li (劉立)		750	750
Mr. Xuan Wenchang (玄文昌)		750	750
Mr. Xia Xiujiang (夏秀江)	(i)	620	620
Mr. Xu Chengyong (徐成永)	(i)	660	660
Mr. Ma Haizhi (馬海志)		660	660
Mr. Yin Zhiguo (尹志國)		620	620
		8,160	8,160

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) In addition to the transactions and balances which are disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties for the six-month periods ended 30 June 2022 and 2021: (continued)

Note:

- (i) Mr. Xia Xiujiang and Mr. Xu Chengyong were appointed as key management in January 2021.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 12, 15, 16, 18, 19 and 20.

(c) Compensation of key management personnel of the Group

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Short-term employee benefits	3,105	2,834
Pension scheme	474	468
	3,579	3,302

(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, fellow subsidiaries, certain of the Beneficial Shareholders and their affiliates and a joint venture, the Company was engaged in building certain subways and the backlog as at 30 June 2022 amounting to RMB3,723 million (unaudited) (31 December 2021: RMB3,930 million).

Pursuant to certain design service contracts signed by the Company and certain of the Beneficial Shareholders and their affiliates, BUCG, an associate of BUCG, a joint venture and a non-controlling shareholder, the Company was engaged in designing certain subways and industrial and civil construction and municipal engineering, and the backlog as at 30 June 2022 amounting to RMB1,257 million (unaudited) (31 December 2021: RMB1,343 million).

Pursuant to certain construction contracts signed by the Company and fellow subsidiaries and associates of BUCG, the Company was engaged in purchasing construction contracting services, and the backlog as at 30 June 2022 amounting to RMB221 million (unaudited) (31 December 2021: RMB227 million).

Pursuant to certain design service contracts signed by the Company, a joint venture and an associate, the Company was engaged in purchasing design, survey and consultancy services, and the backlog as at 30 June 2022 amounting to RMB17 million (unaudited) (31 December 2021: RMB9 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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:

	30 June 2022 (Unaudited) RMB'000
<hr/>	
Financial assets	
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	431,602
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	16,521
Financial assets at amortised cost:	
Trade and bills receivables	3,900,944
Financial assets included in prepayments, other receivables and other assets	482,568
Pledged deposits	40,212
Cash and bank balances	3,103,872
	<hr/>
	7,975,719
	<hr/>
Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings (other than lease liabilities)	6,897,886
Trade and bills payables	4,261,824
Financial liabilities included in other payables and accruals	592,701
	<hr/>
	11,752,411
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24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December
2021
(Restated)
RMB'000

Financial assets

Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	427,602
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	21,665
Financial assets at amortised cost:	
Trade and bills receivables	4,069,377
Financial assets included in prepayments, other receivables and other assets	481,839
Pledged deposits	41,217
Cash and bank balances	4,040,356
	<hr/>
	9,082,056

Financial liabilities

Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings (other than lease liabilities)	6,880,374
Trade and bills payables	4,495,346
Financial liabilities included in other payables and accruals	463,085
	<hr/>
	11,838,805

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Financial assets				
Financial assets at fair value through profit or loss	431,602	427,602	431,602	427,602
Equity investments designated at fair value through other comprehensive income	16,521	21,665	16,521	21,665
Financial assets included in prepayments, other receivables and other assets, non-current portion	26,256	22,689	25,369	22,451
	474,379	471,956	473,492	471,718
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	4,222,493	4,607,741	4,106,160	4,474,596
Financial liabilities included in other payables and accruals, non-current portion	8,541	7,576	7,784	7,574
	4,231,034	4,615,317	4,113,944	4,482,170

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.

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

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

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

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

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, contract assets and the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2022 were assessed to be insignificant.

The fair value of unlisted equity investments designated at fair value through other comprehensive income 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 to calculate 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.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Unlisted equity investments	–	–	431,602	431,602
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	16,521	16,521
	–	–	448,123	448,123

31 December 2021 (Restated)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Unlisted equity investments	–	–	427,602	427,602
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	21,665	21,665
	–	–	449,267	449,267

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

Fair value hierarchy: (continued)

Assets for which fair values are disclosed:

30 June 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	25,369	–	25,369

31 December 2021 (Restated)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	22,451	–	22,451

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2022

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

Fair value hierarchy: (continued)

Liabilities for which fair values are disclosed:

30 June 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	–	4,106,160	–	4,106,160
Financial liabilities included in other payables and accruals, non-current portion	–	7,784	–	7,784
	–	4,113,944	–	4,113,944

31 December 2021 (Restated)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	–	4,474,596	–	4,474,596
Financial liabilities included in other payables and accruals, non-current portion	–	7,574	–	7,574
	–	4,482,170	–	4,482,170

26. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there has no significant subsequent event since 30 June 2022.

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 26 August 2022.