



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]



2023

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 RMB and are unlisted shares which are currently not listed or traded on any stock exchange
“Group” 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

DEFINITIONS (CONTINUED)

“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
“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 2023
“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:

北京城建設計發展集團股份有限公司

English:

Beijing Urban Construction Design &
Development Group Co., Limited

LISTING PLACE OF H SHARES:

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK:

H Share

STOCK NAME:

UCD

STOCK CODE:

1599

H SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE:

5 Fuchengmen North Street, Xicheng District,
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

40th Floor, 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.bjudc.com

AUDITOR:

Ernst & Young (resigned on 3 August 2023)
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS:

As to Hong Kong Laws:
Clifford Chance

As to PRC Laws:
Beijing Ocean Law Firm

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In the first half of 2023, the Group made joint efforts to further develop the rail transit industry chain, actively expand the market, adhere to the expansion of design and consultancy, strengthen the construction general contracting, actively expand new businesses, and implement the annual operation objectives and tasks, and steadily move forward with high-quality development.

For the six months ended 30 June 2023, the Group's revenue amounted to RMB4,518 million, representing a decrease of RMB94 million or 2.04% compared to the revenue of RMB4,612 million for the corresponding period of last year. The Group's net profit amounted to RMB406 million, representing a decrease of RMB69 million or 14.53% compared to the net profit of RMB475 million for the corresponding period of last year.

Summary of Operating Results

	For the six months ended 30 June	
	2023	2022
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
		(Restated)
Revenue	4,518,185	4,612,123
Cost of sales	(3,669,668)	(3,906,837)
Gross profit	848,517	705,286
Other income and gains	220,118	274,156
Selling and distribution expenses	(37,582)	(30,609)
Administrative expenses	(419,267)	(346,537)
Impairment losses on financial and contract assets, net	(142,725)	(175,479)
Finance costs	(147,448)	(164,398)
Share of profits of joint ventures	90,877	94,927
Share of profits of associates	26,865	10,169
Profit before tax from continuing operations	439,355	367,515
Income tax expense	(33,689)	(49,451)
Profit for the period from the discontinued operation	–	156,939
Profit for the period	405,666	475,003

Note:

Due to the business combination under common control of the contracting department of BUCC in 2022, the financial results of the contracting department of BUCC were included in the consolidated financial statements of the Group and included in the construction contracting business segment, and the data for the same period last year was adjusted simultaneously.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

REVENUE

The Group generates its revenue from the design, survey and consultancy business segment as well as the construction contracting business segment where the Group provides services for project construction. For the six months ended 30 June 2023, the Group achieved a revenue of RMB4,518 million, representing a decrease of RMB94 million or 2.04% compared to RMB4,612 million last year. The decrease was mainly due to the slower efficiency of performance of projects of the Company compared to that the corresponding period of last year.

Revenue by business segment is as follows:

Products by industry	For the six months ended 30 June	
	2023	2022
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
		(Restated)
Design, survey and consultancy business	2,259,762	2,015,397
Construction contracting business	2,258,423	2,596,726
Total	4,518,185	4,612,123

DESIGN, SURVEY AND CONSULTANCY BUSINESS SEGMENT

The design, survey and consultancy business 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 business segment has been the traditional and core business of the Group. In the first half of 2023, the Group focused on the rail transit market and won a total of 6 overall design projects in Beijing, Shijiazhuang, Hangzhou, Shenzhen, etc., continued to consolidate its position in the rail transit design industry, and the number of successful bids of overall design projects ranked first in the industry; three rail transit design projects, namely Dalian Line 5, the southern extension of Changchun Line 4, and Chongqing Line 10 Phase II, were put into operation as scheduled, and various rail transit design tasks on hand were carried out in an orderly manner. The Company undertook rail transit consulting projects such as Shenzhen Metro High-quality Development Consulting, Nantong Railway Vibration Reduction Special Consulting, and Deqing Railway Group Entrusted Operation Consulting, and was included in the short list of evaluation institutions of Tianjin Development and Reform Commission. The Company undertook feasibility research and line network planning tasks in cities such as Shaoxing, Beijing, Shijiazhuang, Changchun, Ningbo, Linyi and Nanyang, and continued to develop preliminary projects to win the first opportunity for subsequent market expansion.

For the six months ended 30 June 2023, revenue of the design, survey and consultancy business segment of the Group amounted to RMB2,260 million, representing an increase of RMB245 million or 12.16% compared to RMB2,015 million for the corresponding period in 2022. Among which, the revenue of the urban rail transit construction segment amounted to RMB1,586 million, representing an increase of RMB133 million or 9.15% compared to RMB1,453 million for the corresponding period of last year. Revenue from the industrial and civil construction and municipal engineering was RMB674 million, representing an increase of RMB112 million or 19.93% compared to RMB562 million in the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONSTRUCTION CONTRACTING BUSINESS SEGMENT

In the first half of 2023, the Group's construction contracting business segment won the bid for projects such as Beijing Chongwenmen Metro Renovation Project and Beijing Subway Existing Cable Leakage Treatment Project, and continued to track rail transit projects in Beijing, Guangzhou and Shaoxing. The construction contracting projects on hand covered cities such as Beijing, Guangzhou, Chongqing and Urumqi.

For the six months ended 30 June 2023, the Group's revenue from the construction contracting business segment was RMB2,258 million, representing a decrease of RMB339 million or 13.05% compared to RMB2,597 million for the corresponding period of last year, mainly due to the decrease in overall works of the project.

COST OF SALES

For the six months ended 30 June 2023, the cost of sales incurred by the Group was RMB3,670 million, representing a decrease of RMB237 million or 6.07% as compared to RMB3,907 million for the corresponding period of last year.

For the six months ended 30 June 2023, cost of sales of the Group's design, survey and consultancy business segment increased by 12.48% to RMB1,613 million for the current period from RMB1,434 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 business segment increased by 7.47% to RMB1,079 million for the current period from RMB1,004 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 business segment increased by 24.19% to RMB534 million for the current period from RMB430 million for the corresponding period of last year.

For the six months ended 30 June 2023, the cost of sales of the Group's construction contracting business segment decreased by 16.82% to RMB2,057 million for the current period from RMB2,473 million for the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

GROSS PROFIT AND GROSS MARGIN

For the six months ended 30 June 2023, the gross profit of the Group was RMB848 million, representing an increase of RMB143 million or 20.28% compared to RMB705 million for the corresponding period of last year, while the consolidated gross margin increased from 15.29% to 18.77%, which was mainly attributable to the increase in proportion of revenue from survey, design and consultancy business segment.

The gross profit of design, survey and consultancy business segment increased to RMB647 million for the current period from RMB581 million for the corresponding period of last year, representing an increase of RMB66 million or 11.36%. The gross margin was 28.63% for the current period, with a slight decrease as compared with 28.83% for the corresponding period of last year. The gross profit of the construction contracting business segment increased from RMB124 million for the corresponding period of last year to RMB201 million for the current period, representing an increase of RMB77 million or 62.10%. The gross margin increased from 4.77% for the corresponding period of last year to 8.90% for the current period, which was mainly attributable to the decreased portion of revenue of traditional projects with lower gross margin in construction contracting business segment.

OTHER INCOME AND GAINS

For the six months ended 30 June 2023, other income and gains of the Group were RMB220.12 million, representing a decrease of RMB54.04 million or 19.71% as compared to RMB274.16 million for the corresponding period of last year, which was mainly attributable to the decrease in PPP project financial asset model accrued interest income.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2023, selling and distribution expenses of the Group were RMB37.58 million, representing an increase of RMB6.97 million or 22.77% as compared to RMB30.61 million for the corresponding period of last year, which was mainly attributable to the fact that the Company further strengthened its market expansion efforts, and actively expanded suburban railways, city express lines, inter-city railways, existing line renovation and other businesses, resulting in the increase in corresponding costs.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, administrative expenses of the Group were RMB419.27 million, representing an increase of RMB72.73 million or 20.99% as compared to RMB346.54 million for the corresponding period of last year, which was mainly attributable to the Company's research and development of intelligent design cloud platform, BIM management platform, BIM positive design system, etc. resulting in the increase in research and development costs, and the purchase of information technology equipment, and depreciation of headquarters assets resulting in the increase in management costs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

For the six months ended 30 June 2023, the impairment losses on financial and contract assets of the Group amounted to RMB142.73 million, representing a decrease of RMB32.75 million or 18.66% as compared to RMB175.48 million for the corresponding period of last year, which was mainly due to a supplementary agreement was signed for the Zunyi PPP project, resulting in the decrease in impairment provisions during the period.

FINANCE COSTS

For the six months ended 30 June 2023, finance costs of the Group were RMB147.45 million, representing a decrease of RMB16.95 million or 10.31% as compared to RMB164.40 million for the corresponding period of last year, which was mainly attributable to the decrease in the principal of long-term loans, which led to the decrease in loan interest.

INCOME TAX EXPENSE

For the six months ended 30 June 2023, the income tax expense of the Group was RMB33.69 million, representing a decrease of RMB15.76 million or 31.87% as compared to RMB49.45 million for the corresponding period of last year, which was mainly attributable to deferred income tax assets recognized this year, which led to the decrease in deferred income tax expense.

PROFIT FOR THE PERIOD FROM THE DISCONTINUED OPERATIONS

For the six months ended 30 June 2023, the Group's profit for the period from the discontinued operations were nil, representing a decrease of RMB156.94 million or 100% as compared to RMB156.94 million for the corresponding period of last year, which was mainly attributable to the disposal of Beijing Urban Construction Zhikong Technology Co., Ltd. ("BUCZT") in 2022.

PROFIT FOR THE PERIOD

For the six months ended 30 June 2023, the Group's profit for the period was RMB406 million, representing a decrease of RMB69 million or 14.53% as compared to RMB475 million for the corresponding period of last year, which was mainly attributable to the disposal of BUCZT in 2022.

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	
	2023	2022
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
		(Restated)
Net cash outflows from operating activities	(1,263,036)	(569,151)
Net cash outflows from investing activities	(263,806)	(283,884)
Net cash outflows from financing activities	(397,190)	(228,809)
Net decrease in cash and cash equivalents	(1,924,032)	(1,081,844)

For the six months ended 30 June 2023, net cash outflows from operating activities were RMB1,263 million, which was mainly attributable to the decrease in the operating receipts, and the increase in operating payments during the period. The net cash outflows from investing activities were RMB264 million, which was mainly attributable to an expenditure of RMB141 million for purchase of fixed assets, intangible assets and other long-term assets and the increased investment of RMB137 million to joint ventures and associates. The net cash outflows from financing activities were RMB397 million, which was mainly due to loans from financing of RMB74 million, repayment of loans and interest expenses of approximately RMB407 million, the payment of dividends to minority shareholders of approximately RMB8 million and the payment of lease liabilities of approximately RMB56 million.

PLEDGE OF ASSETS

For the six months ended 30 June 2023, 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 2023, the net pledged receivables and intangible assets were RMB6,414 million (as at 31 December 2022: RMB6,522 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL COMMITMENT

The capital commitments of the Group as at 30 June 2023 and 31 December 2022 were as follows:

	30 June 2023 (RMB'000) (Unaudited)	31 December 2022 (RMB'000) (Audited)
Contracted, but not provided for:		
Property, plant and equipment	446,718	481,169
Equity investments	1,281,603	1,580,591

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The equity capital of the Group mainly comprises Domestic Shares and H Shares. Indebtedness capital mainly consists of bank and other borrowings. In addition, ordinary business operation also provides the Group with source of funding. As of 30 June 2023, the net current assets of the Group were RMB1,922 million, among which cash and cash equivalents amounted to RMB2,325 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 2023, the Group's interest-bearing borrowings were RMB6,659 million while the gearing ratio (gearing ratio represents the total interest-bearing borrowings as of 30 June 2023 divided by the total equity as at 30 June 2023) was 93.32%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INDEBTEDNESS

The table below sets forth the total borrowings of the Group as at 30 June 2023 and 31 December 2022. The Group can be able to settle the borrowings on time generally.

	30 June 2023 (RMB'000) (Unaudited)	31 December 2022 (RMB'000) (Audited)
Bank borrowings		
Pledged	5,004,816	5,090,234
Non-pledged	131,981	135,349
Other borrowings		
Non-pledged	1,256,841	1,360,630
Lease liabilities		
Non-pledged	265,317	317,545
Total	6,658,955	6,903,758

As at 30 June 2023, the Group's borrowings were denominated in RMB with interest rates ranging from 1.81% to 5.11%.

The table below sets forth the maturity of the Group's debts as at 30 June 2023 and 31 December 2022:

	30 June 2023 (RMB'000) (Unaudited)	31 December 2022 (RMB'000) (Audited)
Within one year	1,291,017	1,428,700
In the second year	372,113	357,593
In the third to fifth year, inclusive	1,573,553	1,534,140
Over five years	3,422,272	3,583,325
Total	6,658,955	6,903,758

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023, the investment amount was RMB2.150 billion, accounting for 9.30% of the total asset value as at 30 June 2023, 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%	1,562,227	90,434

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 2023, the Company won the bid totaling RMB3.03 billion, including design, survey and consultancy totaling RMB2.75 billion, and projects were distributed in Beijing, Hangzhou, Shenzhen, Shijiazhuang, Qingdao and other regions, and construction general contracting business won the bid totaling RMB280 million.

EMPLOYEES

As of 30 June 2023, the Group had approximately 5,074 employees, representing an increase of 209 or 4.3% as compared with 4,865 employees at the end of the same period of last year due to the consolidation of the Construction Overall Engineering Contracting Department into the Company. As of 30 June 2023, employees with senior titles or above, employees with intermediate titles and employees with primary titles or below accounted for 37%, 38% and 25% of the total number of employees of the Group, respectively. Among which, the ratio of employees with senior titles has increased by 3%. 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 2023

In the second half of 2023, the Company will firmly follow the general requirement of “stability”, continue to adhere to the general idea of expanding design and consulting, strengthening construction contracting, and vigorously developing new businesses, strive to maintain a reasonable growth in quantity, accelerate the effective improvement of quality, promote the Group’s transformation towards a resource allocation platform, and strive to develop a new path for high-quality development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company's specific management measures in the second half of 2023 include the following four areas:

1. Continuing to upgrade and expand design and consultancy business

We will fully utilize the advantages of core business in rail transit design, with a focus on the regional markets such as Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing and Yangtze River Economic Belt, adhere to the development trend of multi-level rail transit system in metropolitan areas to actively seize the opportunities arising from markets such as suburban railways, city express lines, inter-city railways and existing line renovation; civil construction business will maintain its solid position in Beijing and Xiong'an markets in terms of residential design, while actively develop markets outside Beijing, and seize design business in hot market areas, TOD integration, commercial complex, transportation hubs and the development of the upper cover, step up to be the forerunner of subdivision areas; municipal design business will strive to forge distinguished design business and keep pace with market demand, explore business in planning and design, urban renewal, water environment management and construction cost consulting; we will leverage on the renowned expert studio and consultancy projects, speed up to build high-end consultancy service brands with industry influence; speed up to cultivate more champion enterprises in professional areas, and continue to expand the subdivision market shares of testing and verification, safety risk assessment, urban big data services and inspection of construction drawings.

2. Fully promoting the exploration of the engineering construction market

With adhering to the nationalization strategy, we will improve market ability, track construction projects of rail transit, inter-city railways, existing line renovation focusing on Beijing, Guangzhou, Shaoxing to ensure the implementation of multiple billion-level projects; keep continuous tracking; strictly implement the main responsibility of safety production, uphold problem-orientation, reward while punish, fulfill production task and ensure that the key projects will be completed during the construction period, so as to achieve high efficiency, high quality and fulfillment of construction projects.

3. Strengthening innovation-driven development and actively cultivating science and technology industrialization business

The Company will continue to increase the supply of scientific research and innovation and continuously improve the level of scientific research. With the National Engineering Research Centre as the cornerstone, the Company will carry out in-depth research on national key technology related topics, orderly promote the construction of the innovation base of Shunyi Industrial Park, and coordinate and promote the research and development, promotion and application of the Company's digital base and parameter design software. The Company will accelerate the implementation of scientific research and innovation layout, promote the application of new products, enrich and improve shock absorber, ball anti-seismic products, intelligent fire protection, intelligent operation and maintenance system, urban simulation platform, non-inductive security inspection, interior decoration industrialization and other products to increase market share. The Company will keep abreast of market demand to promote the transformation of scientific research achievements, and closely incubate a series of products such as new light rail, intelligent guided rapid transit system, intelligent operation and maintenance system and vibration damping and accelerate the cultivation of technology enterprises in professional fields.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Steadily promoting the implementation of key tasks and comprehensively ensuring the upgrading and development of enterprises

Focusing on the three major goals of “market, performance and profit”, we will effectively promote the front-end of regional management functions, and promote the efficient flow of production factors such as human resources, technology, capital and information in the region; focus on cost reduction and efficiency improvement, integrate and optimise long-term loss-making operating units in a timely manner to maintain the healthy development of the Company; strengthen the management of the Company’s market value, internal control, audit and legal affairs, and improve the Company’s management and control level; continue to consolidate talent support, give full play to the resources of the Company and industry experts, and continue to carry out innovation and exchange activities; optimise the enterprise ERP system, complete the decision-making platform for technical quality and financial data analysis, and promote the comprehensive deployment of dynamic network security defence system in the Company to ensure the security of enterprise information properties; strengthen the professional operation of “one network, one Wechat, one newspaper and one book”, provide more accurate content supply and audience communication, and continuously expand the influence of corporate brand.

MARKET LANDSCAPE AND BUSINESS OUTLOOK

In February 2023, the State Council issued the “Overall Layout Plan for Digital China Construction” (《數字中國建設整體佈局規劃》) (the “Layout Plan”). The Layout Plan proposes that an integrated promotion pattern of horizontal connexion, vertical connexion and strong coordination will be basically formed, and the construction of Digital China will make important progress by 2025. It is proposed to promote the deep integration of digital technology and the real economy, and accelerate the application of digital technology innovation in key areas such as agriculture, industry, finance, education, medical care, transportation and energy.

In the same period, the State Council issued the “Outline to Improve Quality of Development” (《質量強國建設綱要》), which clearly stated that it is necessary to vigorously develop public transportation and guide the standardised development of personalised travel services such as online taxi booking and customised public transportation.

On 21 February 2023, the Ninth Session of the Chamber of Commerce of the Provincial Capital Cities of the Mid-stream of the Yangtze River City Cluster was held, and four provincial capital cities, namely Wuhan, Changsha, Hefei and Nanchang, jointly signed the “Cooperation Action Plan for the Provincial Capital Cities of the Mid-stream of the Yangtze River City Cluster (2023-2025)” (《長江中游城市群省會城市合作行動計劃(2023—2025年)》), “Key Cooperation Matters for the Mid-stream of the Yangtze River City Cluster in 2023” (《長江中游城市群2023年重點合作事項》) and other documents to explore new mechanisms for collaborative development.

URBAN RAIL TRANSIT

According to the statistics of China Association of Metros, in the first half of 2023, there were 2 new cities with urban rail transit in operation, namely Honghe Prefecture and Chuzhou. 9 cities, namely Beijing, Chongqing, Changchun, Dalian, Xi'an, Suzhou, Changsha, Lanzhou and Jinhua, had new lines or new sections or extended lines of urban rail transit in operation. As of 30 June 2023, the NDRC approved the urban rail transit construction plans in four cities, namely Beijing, Changsha, Shenzhen and Shaoxing, in the first half of 2023.

In the first half of 2023, the Company successively won the bid for the overall design work of six lines including the overall engineering design and general contracting management of Phase III of Hangzhou Metro Line 4 and Hangzhou Metro Line 18, the general engineering design contracting of Phase I of Shijiazhuang Metro Line 6, the overall engineering design and general contracting management of the west extension of Hangzhou-Haining Railway, the feasibility study and general contracting of survey and design of Phase I of Shenzhen Metro Line 27, the 01 contract section of the branch engineering design of Beijing Metro Line 1 (general contracting) as an independent bidder or consortium leader, and the Company also obtained a number of important engineering site projects in cities such as Hangzhou, Wuxi, Nanchang, Qingdao and Changsha. The successful bidding of key preliminary projects, such as the research on the integrated planning scheme, feasibility study and supporting special research on the branch line of Beijing Rail Transit Line 1, the recent construction planning and supporting special scheme research projects of rail transit in Shijiazhuang, Linyi, Ningbo, Nanyang, Shunyi, Beijing, etc., also provided sufficient momentum for the sustainable development of the subsequent market.

In the first half of 2023, the winning bids of China (Dezhou) Agricultural and Food Innovation Industry Park (中國(德州)農業食品創新產業園區) Whole Cold Chain Logistics Centre (Phase II) EPC Project, the TOD Integrated Development Planning Plan for the South Area of the Comprehensive Transportation Hub of Longmen Station (Competition No. 1), the Airport Engineering Design Section II of the Expansion Project of Nanchang Changbei Airport Phase III – Comprehensive Transportation Centre Engineering Design and other projects enabled the Company to make an important breakthrough in respect of logistics centre, airport GTC (Comprehensive Transportation Transfer Centre), which increased the design performance of the Company's landmark buildings and made significant contribution to the establishment and enhancement of the Company's brand image.

In respect of new business areas: the successful bid for the Comprehensive Design Services Project II of the operating branch of Ningbo Rail Transit Group Co., Ltd. (寧波市軌道交通集團有限公司), secured the design work of the three-year important transformation project in the city, which created a good example for the future expansion of the transformation market; the successful bid for the intelligent operation and maintenance system engineering design project of Qingdao Metro continued to promote the Company's leading position in the field of intelligent operation and maintenance of urban rail transit; the successful bid for the integrated application consultation project of Qingdao rail transit assembly construction technology reflects the Company's technological advantages in the field of urban rail transit assembly construction technology.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RAIL TRANSIT SYNERGIZING WITH INNOVATIVE CONSTRUCTION

The Company continued to promote the construction and operation of the national research and development platform “National Engineering Research Centre for 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)”, and completed the planning of site selection, functional layout, layout and testing capabilities of large-scale testing bases; the Company was granted the national key research and development project on the “Risk Prevention and Control Technology for Deep Karst Collapse and Demonstrations (深部岩溶塌陷風險防控技術及示範應用)”; the scientific and technological achievements of “Research and Application of Prefabricated and Assembled Construction Technology in Subway Stations (地鐵車站預制裝配化建造技術研究與應用)” have successfully passed the technical appraisal, and the overall technology has reached the international leading level; the Company was approved by the China Association for Science and Technology as “Innovation China – Innovation Base of Digital Intelligence and Green Technology for Urban Rail Transit (科創中國 – 城市軌道交通數字智慧與綠色技術創新基地)”.

SURVEY AND MEASUREMENT

The “14th Five-Year” Engineering Survey and Design Industry Development Plan (《「十四五」工程勘察設計行業發展規劃》) (hereinafter referred to as the “Development Plan”) issued by the Ministry of Housing and Urban-Rural Development in 2022 pointed out that during the “14th Five-Year” period, new urban infrastructure construction, urban renewal, complete residential community construction, rural construction and other work tasks will bring new opportunities for the development of the engineering survey and design industry. The Development Plan requires the engineering survey and design industry to seize new opportunities, face new challenges and achieve high-quality development.

The construction of Digital China requires promoting the deep integration of digital technology and the real economy, and accelerating the digital transformation of traditional industries. Intelligent construction is the transformation direction of the construction industry, and survey and design is a key link of engineering construction. The survey and design industry needs to accelerate digital transformation, providing strong support for the development of the construction industry towards intelligent construction. The construction of Digital China requires to accelerate the development of integrated infrastructure, which has clarified the direction for the exploration industry to expand digital business. The future infrastructure construction requirements are network-based and intelligent, while a large number of established traditional infrastructure is facing the requirements of intelligent transformation, which provides opportunities for the survey industry to give full play to its advantages and expand digital businesses such as intelligent transportation, intelligent water conservancy and intelligent cities.

In general, the market environment of the survey industry in 2023 has improved as compared to 2022. The survey industry needs to regain confidence, seize opportunities, actively adjust and continuously explore the path of high-quality development of enterprises.

PPP

In the first half of 2023, on the one hand, benefiting from the impact of the national policy of stabilising growth in 2022 and the multi-dimensional efforts of government special bonds + policy financial instruments and other fiscal and financial policies, the growth rate of infrastructure investment increased significantly in the first half of the year. On the other hand, local governments entered into the debt settlement cycle, bond issuance became more stringent, PPP projects were cleaned up, verified and rectified, PPP projects were suspended from warehousing, investors + EPC, EPC + F and other models were in the innovation stage, and the channels for market-oriented participation of enterprises were blocked, and the supply side of infrastructure investment was weak.

At the beginning of 2023, the state started a new round of inspection and audit of PPP projects, and released the audit of PPP projects in late June. However, the inspection and audit will have a profound impact on the new PPP projects in the future.

In the future, the development of the industry will enter into a mature stage, but new infrastructure market demand will be generated from segmented fields such as city clusters, metropolitan areas, urban renewal and rural revitalization. The development of industries such as education, medical care, health care, elderly care, ecological and environmental protection, low-carbon energy and urban security will guide the needs of industrial infrastructure. Big data, artificial intelligence, smart agriculture, smart roads, computing power and new energy projects will continue to emerge, the layout of information infrastructure will be accelerated, the transformation of traditional infrastructure will be accelerated, and new and old infrastructure will be coordinated. At the same time, some infrastructure projects, led by the government, are moving towards market-oriented development, which provides sufficient space for enterprises to participate in infrastructure project investment, and the market is still promising.

CONSTRUCTION BUSINESS

In 2021, the Outline of the 14th Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035 of the People's Republic of China 《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》 (the "Outline") clearly pointed out that "accelerating the promotion of urban renewal, transforming and upgrading the functions of old communities, old factories, old streets and urban villages", and many cities also announced specific goals for the transformation of old communities. The Company closely followed the national strategic layout, seized opportunities and occupied market share, and won the bid for the comprehensive renovation project of old communities (Yangfangdian Street, etc.) in Haidian District in 2023, and the building renovation and design of new sites for trial business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Focusing on the new blueprint of economic and social development outlined in the Outline and targeting projects in the fields of education, medical care, housing and other people's livelihood security, the Company continued to make efforts to steadily promote market expansion, and successively won the bid for the C-Building project of the cutting-edge cross science research institute of Liangxiang Campus of Beijing Institute of Technology, and the design project of the hospital infrastructure comprehensive renovation project of China Rongtong Medical and Health Group Co., Ltd. (中國融通醫療健康集團有限公司) (Zone 7); in respect of the industrial park, the Company won the bid for the feasibility research and design project of the Weizhongwei Food Industrial Park Project in Dangtu Economic Development Zone (當塗經濟開發區味中味食品產業園項目). The Company will seize the opportunities for development, consolidate its competitive advantages in the construction sector, and strive to promote the Company to become a leader in the civil construction business segment.

At the policy level, in the first half of 2023, the overall policy at the national level continued to be loose, with short-term stability in the market and long-term promotion of transformation becoming the key points. The central government has clarified the pillar position of the real estate industry, and repeatedly emphasised that housing is for living in, not for speculation, and city-specific policies support rigid and improved housing demand, so as to ensure the delivery of properties, people's livelihood and stability.

In general, in the first half of 2023, the residential market shifted from strong recovery to weak recovery, and some cities still faced certain downward pressure. Looking forward to the market, the foundation for the current market recovery is still unstable and the recovery momentum is weak. The subsequent market recovery is still largely dependent on the favourable policies and the improvement of the macro environment.

OVERALL ENGINEERING CONTRACTING

In the first half of the year, there were only large-scale construction bidding in the rail transit market in China, such as Guangzhou Metro, Taizhou City Railway, Hangzhou Metro Line 1, Shijiazhuang Metro and Chongqing Metro. Most of the urban rail transit construction markets in other cities such as Beijing, Chengdu, Shenzhen and Ningbo were sporadic projects and closed projects.

According to the "14th Five-Year Plan for the Development of Modern Comprehensive Transportation System (《「十四五」現代綜合交通運輸體系發展規劃》)", the mileage of urban rail transit in operation will reach 10,000 km in 2025, with an average annual increase of 680 km. At the same time, China has planned 19 urban agglomerations. From the perspective of its specific transportation planning, in addition to the 10,000 km expected to commence construction in the Beijing-Tianjin-Hebei, Yangtze River Delta and Greater Bay Area, urban agglomeration metropolitan areas such as Chengdu-Chongqing and Shandong Peninsula have been successively introduced, and the construction of intercity cities will be extended to more regions, and the long-term development space is promising.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

It is expected that more construction tasks will be carried out in the second half of the year, especially in Guangzhou, Shenzhen Metro in the Greater Bay Area and Beijing Subway will be put up for bidding in the second half of the year. 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.

According to the analysis of the construction planning tasks of various major cities, municipal railway is the key for rail transit construction in the future. In terms of rail construction business, the construction of Beijing New Airport Line and Nanjing Jurong Municipal Railway has laid a solid foundation for the Company's construction of municipal railway. In the second half of the year, it is expected to achieve good marketing results in urban metro and municipal railway.

TRANSPORTATION PLANNING AND DATA SERVICES

Affected by various factors such as government funds and policies, the government has paid more attention to preliminary project research and intelligent and big data projects, and there are certain market opportunities in the preliminary project market. However, the market competition is fierce, and the types of projects mainly focus on preliminary planning and consulting, and the types of projects are small and complex. In this case, the Company needs to seize the current market opportunities, appropriately increase the investment in preliminary project research, fully promote big data related business, respond quickly in terms of time and product type, increase the investment in innovation and research and development, and actively strive for greater market share. At the same time, the Company will control costs, stabilize cash flow, expand market, and improve production efficiency.

In view of the current market situation, the Company will continue to innovate on its existing businesses, focusing on big data, smart public transportation, TOD, traffic survey and other advantageous products, and at the same time seize the opportunities of digital development in the transportation industry, and give full play to the advantages of the "city simulation" platform, expand the construction of MaaS platform and smart public transportation system in Nanning, Yinchuan, Zhengzhou and other places, deepen the digital design and consulting market in the public transportation sector, and strengthen the whole-process design and consulting business of financial loans. Driven by scientific research and innovation, the Company will promote core technology research and achievement transformation, develop new products, explore new markets and expand new fields.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MUNICIPAL SERVICES

Water environment treatment products have gradually become a relatively stable and important source of contracts for municipal business in recent years. China's water environment treatment industry is still in the growth stage, with low market concentration and high vitality in some regions and sub-markets. In recent years, the state has issued a series of policies to promote the development of the water environment treatment industry. China has comprehensively promoted ecological environmental protection and water pollution treatment, and the scale of the industry has continued to expand. Firstly, the "14th Five-Year" Plan for the Supervision of Ecological and Environmental Protection (《「十四五」生態環境保護監管規劃》), the "Action Plan for Prevention and Control of Water Pollution (《水污染防治行動計劃》)" and other policy documents comprehensively promote ecological environment management and water environment treatment from the top-level design and national planning levels; secondly, the Company issued special planning documents to focus on remediation for the treatment of industrial sewage and domestic sewage in villages and towns, and the support of national policies promoted the growth of the market size of the industry.

The Notice on Promoting Urban Renewal in a Solid and Orderly Manner (《關於扎實有序推進城市更新工作的通知》) issued by the Ministry of Housing and Urban-Rural Development requires to strengthen the guidance on local urban renewal work, summarize and promote good experience and practices formed in urban renewal practice, and put forward specific requirements for further improving urban renewal work. Urban renewal will become a new economic growth point.

As of the end of 2022, among the 657 cities in China, a total of 485 cities have prepared special plans for comprehensive underground pipeline corridors, among which, the plans of 214 cities have been approved by the people's governments of these cities. Since 2015, a total of 279 cities and 104 counties have commenced the construction of comprehensive underground pipeline corridors in China, with a total length of 5,902 km and a total investment of RMB400 billion (Quoted from the Guidance Manual for the Construction of Comprehensive Urban Underground Pipeline Corridors) (《城市地下綜合管廊建設指導手冊》).

INDUSTRIALIZATION

Guided by the demand for new infrastructure, the Company is committed to the research and exploration in the field of rail transit science and technology innovation. Relying on the advantages of scientific research and innovation platforms and patented technologies, the Company promotes the market-oriented application of rail transit science and technology innovation achievements and serves the innovation and development of cities. The technology industrialization of the Company covers rail transit cloud series, intelligent rail transit, urban infrastructure, green construction and construction, service urban planning and design, rail transit technology and equipment, etc., forming a series of technology products, which are widely used in subways, trams, urban railways and urban services. The Company's scientific research industrialization system and mechanism have been improving, which will continue to stimulate the vitality of industrialization development and inject strong innovation momentum 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 2023, 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 2023, 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 the rights to subscribe for any shares or debentures of the Company or any associated corporations.

OTHER INFORMATION (CONTINUED)

CHANGE OF THE BOARD AND THE BOARD OF SUPERVISORS

During the Reporting Period, there was no change in the composition of the Board and the Board of Supervisors.

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*)

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 2023, 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 (北京市轨道交通建设管理有限公司) ("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) ("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 2023, 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.

OTHER INFORMATION (CONTINUED)

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 incorporated the rule of law into the Articles of Association, established the general legal counsel system, and at the same time, there were changes in the domestic shareholders of the Company. Beijing Zhongtai Investment Management Co., Ltd. (北京中太投資管理有限公司), the former domestic shareholder of the Company, transferred 23,184,000 domestic shares held by it to Beijing Shengda Xingye Real Estate Development Co., Ltd. (北京盛達興業房地產開發有限公司). In view of the above changes, 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 2 November 2022 and 3 March 2023 and the circular of the Company dated 13 February 2023.

REVIEW OF INTERIM REPORT

The Audit Committee of the Company has reviewed the interim result of the Group for the six months ended 30 June 2023 and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

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 23.70%, 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2023

		Six-month period ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited) (Restated)
	Notes	RMB'000	RMB'000
CONTINUING OPERATIONS			
REVENUE	4	4,518,185	4,612,123
Cost of sales	6	(3,669,668)	(3,906,837)
Gross profit		848,517	705,286
Other income and gains	4	220,118	274,156
Selling and distribution expenses		(37,582)	(30,609)
Administrative expenses		(419,267)	(346,537)
Impairment losses on financial and contract assets, net		(142,725)	(175,479)
Finance costs	5	(147,448)	(164,398)
Share of profits and losses of:			
Joint ventures		90,877	94,927
Associates		26,865	10,169
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	439,355	367,515
Income tax expense	7	(33,689)	(49,451)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		405,666	318,064
DISCONTINUED OPERATION			
Profit for the period from the discontinued operation		–	156,939
PROFIT FOR THE PERIOD		405,666	475,003
Profit attributable to:			
Owners of the parent		399,882	484,099
Non-controlling interests		5,784	(9,096)
		405,666	475,003
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)			
For profit for the period	9	0.30	0.36
For profit from continuing operations	9	0.30	0.24

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023

	Six-month period ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000
PROFIT FOR THE PERIOD	405,666	475,003
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	(187)	(144)
<i>Other comprehensive income that will not 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	177	747
Re-measurement loss on defined benefit plans, net of tax	(2,690)	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	(2,513)	747
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(2,700)	603
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	402,966	475,606
Attributable to:		
Owners of the parent	397,182	484,702
Non-controlling interests	5,784	(9,096)
	402,966	475,606

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,013,813	981,666
Goodwill		5,741	5,741
Right-of-use assets	11	483,507	533,248
Contract assets	12	5,019,769	5,193,370
Intangible assets		554,432	562,829
Investments in joint ventures		2,207,264	2,095,387
Investments in associates		735,676	631,714
Equity investments designated at fair value through other comprehensive income	13	14,921	15,121
Financial assets at fair value through profit or loss	14	461,204	433,794
Deferred tax assets		310,650	272,503
Prepayments, other receivables and other assets	16	277,006	229,177
Total non-current assets		11,083,983	10,954,550
CURRENT ASSETS			
Inventories		57,433	67,919
Contract assets	12	5,150,789	4,432,454
Trade and bills receivables	15	4,030,297	3,765,400
Prepayments, other receivables and other assets	16	391,623	442,373
Pledged deposits	17	65,006	41,052
Cash and bank balances	17	2,325,282	4,240,446
Total current assets		12,020,430	12,989,644
CURRENT LIABILITIES			
Trade and bills payables	18	4,719,440	5,359,491
Other payables and accruals	19	4,044,806	4,108,400
Interest-bearing bank and other borrowings	20	1,291,017	1,428,700
Provisions for supplementary retirement benefits		3,700	3,760
Tax payable		34,367	62,580
Provision		4,853	5,083
Total current liabilities		10,098,183	10,968,014
NET CURRENT ASSETS		1,922,247	2,021,630
TOTAL ASSETS LESS CURRENT LIABILITIES		13,006,230	12,976,180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,034	1,808
Other payables and accruals	<i>19</i>	375,329	380,474
Interest-bearing bank and other borrowings	<i>20</i>	5,367,938	5,475,058
Provisions for supplementary retirement benefits		70,553	68,173
Provision		54,930	53,219
Total non-current liabilities		5,870,784	5,978,732
Net assets		7,135,446	6,997,448
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,348,670	1,348,670
Reserves		5,590,071	5,448,867
Non-controlling interests		6,938,741	6,797,537
		196,705	199,911
Total equity		7,135,446	6,997,448

Wang Hanjun
Director

Li Guoqing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

	Attributable to owners of the parent									
	Share capital	Capital reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Special reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,348,670	654,226	1,267	-	555,449	(34)	4,237,959	6,797,537	199,911	6,997,448
Profit for the period	-	-	-	-	-	-	399,882	399,882	5,784	405,666
Other comprehensive income for the period:										
Re-measurement losses on defined benefit plans, net of tax	-	(2,690)	-	-	-	-	-	(2,690)	-	(2,690)
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	177	-	-	-	-	177	-	177
Exchange differences on translation of foreign operations	-	-	-	-	-	(187)	-	(187)	-	(187)
Total comprehensive income for the period	-	(2,690)	177	-	-	(187)	399,882	397,182	5,784	402,966
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	(291)	-	-	-	291	-	-	-
Final 2022 dividend declared	-	-	-	-	-	-	(255,978)	(255,978)	-	(255,978)
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	(8,990)	(8,990)
Transfer to special reserve (note (i))	-	-	-	43,760	-	-	(43,760)	-	-	-
Utilisation of special reserve (note (i))	-	-	-	(43,760)	-	-	43,760	-	-	-
At 30 June 2023 (unaudited)	1,348,670	651,536*	1,153*	-*	555,449*	(221)*	4,382,154*	6,938,741	196,705	7,135,446

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six-month period ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022	1,348,670	743,540	1,948	2,219	461,555	502	3,589,997	6,148,431	266,682	6,415,113
Profit for the period (restated)	-	-	-	-	-	-	484,099	484,099	(9,096)	475,003
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 (restated)	-	-	747	-	-	(144)	484,099	484,702	(9,096)	475,606
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	-	(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))	-	-	-	40,210	-	-	(40,210)	-	-	-
Utilisation of special reserve (note (i))	-	-	-	(40,210)	-	-	40,210	-	-	-
Others	-	1,353	-	-	-	-	(4,144)	(2,791)	-	(2,791)
At 30 June 2022 (unaudited and restated)	1,348,670	675,123*	2,317*	-*	461,555*	358*	3,843,888*	6,331,911	246,516	6,578,427

* These reserve accounts comprise the consolidated reserves of RMB5,590,071,000 (unaudited) (30 June 2022: RMB4,983,241,000 (unaudited and restated)) in the interim condensed consolidated statement of financial position as at 30 June 2023.

Note:

- (i) In the 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 2023 and 2022 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 2023

		Six-month period ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	RMB'000	(Restated) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		439,355	367,515
From the discontinued operation		–	156,939
Adjustments for:			
Finance costs	5	147,448	164,398
Interest income	4	(197,695)	(217,307)
Share of profits and losses of associates and joint ventures		(117,742)	(105,096)
Depreciation of right-of-use assets	6	56,985	65,149
Gain on disposal of a subsidiary	21	–	(156,939)
Depreciation of property, plant and equipment	6	43,767	33,701
Amortisation of intangible assets	6	20,435	18,196
Impairment of trade and bills receivables, net	6	87,717	118,436
Impairment of other receivables, net	6	(469)	18,891
Impairment of contract assets, net	6	55,477	38,152
Others		(9,394)	(28,474)
		525,884	473,561
Decrease in inventories		10,486	36,999
Increase in contract assets		(363,610)	(37,583)
Increase in trade and bills receivables		(352,612)	(21,576)
(Increase)/decrease in prepayments, other receivables and other assets		(800)	25,492
Decrease in trade and bills payables		(624,731)	(20,995)
Decrease in other payables and accruals		(340,732)	(961,665)
(Decrease)/increase in provision		(1,961)	8,636
(Increase)/decrease in pledged deposits		(23,954)	1,005
Decrease in provisions for supplementary retirement benefits		(310)	(924)
Cash used in operations		(1,172,340)	(497,050)
Interest received		9,181	36,849
Income tax paid		(99,877)	(108,950)
Net cash flows used in operating activities		(1,263,036)	(569,151)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six-month period ended 30 June 2023

	<i>Notes</i>	Six-month period ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(128,449)	(53,737)
Additions to intangible assets		(12,038)	(3,057)
Additions to right-of-use assets		(483)	–
Additions of financial assets at fair value through profit or loss		(25,245)	–
Addition of investments in joint ventures and associates		(136,974)	(61,200)
Proceeds from disposal of property, plant and equipment		146	227
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		437	1,996
Dividends received from associates		–	834
Cash received from return on investment		38,800	–
Consideration for the business combination under common control		–	(69,770)
Disposal of a subsidiary	21	–	(102,327)
Interest received		–	3,150
Net cash flows used in investing activities		(263,806)	(283,884)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(118,774)	(144,444)
Dividend paid to non-controlling shareholders		(8,046)	(9,500)
Principal portion of lease payments		(55,502)	(80,266)
New bank and other borrowings		73,632	657,000
Repayment of bank and other borrowings		(288,500)	(651,599)
Net cash flows used in financing activities		(397,190)	(228,809)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		4,240,203	4,247,895
Effect of exchange rate changes on cash and cash equivalents		8,868	11,979
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,325,039	3,178,030

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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;
- 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 and incorporated in Beijing, the PRC.

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 2023 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 2022.

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 thousand, except when otherwise indicated.

Merger accounting for business combinations under common control

Pursuant to an asset transfer agreement entered into between the Company and Beijing Uni.-Construction Group Co., Ltd. (“BUCC”, a wholly-owned subsidiary of BUCG) on 26 October 2022, the Company agreed to acquire all assets and the related creditor’s rights and debts of the rail transit construction contracting department of BUCC (the “Asset Group Portfolio”) at a cash consideration of RMB19,244,700. The Asset Group Portfolio includes an input and a substantive process that together significantly contribute to the ability to create outputs, so the Group determines that it has acquired a business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

2.1 Basis of preparation (continued)

The Company and Asset Group Portfolio 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 a 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 2023 and 30 June 2022 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 2022 were restated to include the financial statements of the Asset Group Portfolio 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 the operations of the previous separate businesses etc., costs incurred in relation to the common control combination that was 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 2022 have been restated to include the operating results of the Asset Group Portfolio as set out below:

	The Group (Unaudited) (as previously reported) RMB'000	Discontinued operation (Unaudited) RMB'000	Asset Group Portfolio (Unaudited) RMB'000	The Group (Unaudited) (Restated) RMB'000
Revenue	4,466,225	–	145,898	4,612,123
Profit before tax from continuing operations	536,905	(156,939)	(12,451)	367,515
Profit for the period from continuing operations	487,454	(156,939)	(12,451)	318,064

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

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 2022, except for the adoption of the following new and 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.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

2.2 Changes in accounting policies and disclosures (continued)

- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the initial recognition of a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The amendments are not expected to have any significant impact on the Group's financial statements.
- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Six-month period ended 30 June 2023

	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	2,259,762	2,258,423	–	4,518,185
Intersegment sales	92	–	(92)	–
Total revenue	2,259,854	2,258,423	(92)	4,518,185
Segment results	271,248	118,464	(604)	389,108
Finance costs	(21,782)	(125,666)	–	(147,448)
Interest income	712	192,197	–	192,909
Profit of segments for the period	250,178	184,995	(604)	434,569
Unallocated interest income				4,786
Income tax expense				(33,689)
Profit for the period				405,666
Segment assets	8,820,798	14,119,665	(963,293)	21,977,170
Corporate and other unallocated assets				1,127,243
Total assets				23,104,413
Segment liabilities	6,294,532	10,296,391	(935,313)	15,655,610
Corporate and other unallocated liabilities				313,357
Total liabilities				15,968,967

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2023 (continued)

	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Other segment information				
Share of profits and losses of:				
Joint ventures	90,877	–	–	90,877
Associates	26,865	–	–	26,865
Depreciation	86,878	13,874	–	100,752
Amortisation	6,793	13,642	–	20,435
Provision for				
– foreseeable losses on contracts, net	2,248	1,193	–	3,441
– impairment of trade and bills receivables, other receivables and contract assets, net	143,854	(1,129)	–	142,725
Investments in joint ventures	2,207,264	–	–	2,207,264
Investments in associates	735,676	–	–	735,676
Capital expenditure*	109,293	10,050	–	119,343

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2022 (Restated)

	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	2,015,397	2,596,726	–	4,612,123
Intersegment sales	2,677	–	(2,677)	–
Revenue from continuing operations	2,018,074	2,596,726	(2,677)	4,612,123
Segment results				
Finance costs	(23,066)	(141,332)	–	(164,398)
Interest income	2,520	201,401	–	203,921
Profit of segments for the period from continuing operations	303,936	52,915	(2,722)	354,129
Unallocated interest income				13,386
Income tax expense				(49,451)
Profit for the period from continuing operations				318,064
Segment assets				
Corporate and other unallocated assets	9,931,850	12,332,382	(838,692)	21,425,540
Total assets				22,957,754
Segment liabilities				
Corporate and other unallocated liabilities	6,164,397	10,738,150	(812,834)	16,089,713
Total liabilities				16,379,327

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2022 (Restated) (continued)

	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Other segment information				
Share of profits and losses of:				
Joint ventures	94,927	–	–	94,927
Associates	10,169	–	–	10,169
Depreciation	82,945	15,905	–	98,850
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	58,164	–	175,479
Investments in joint ventures	1,971,299	–	–	1,971,299
Investments in associates	467,990	–	–	467,990
Capital expenditure*	67,992	5,004	–	72,996

* 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 2023

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
<i>Revenue from contracts with customers</i>	4,514,151	4,603,483
<i>Revenue from other sources</i>		
Gross rental income	4,034	8,640
	4,518,185	4,612,123

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Types of goods or services		
Design, survey and consultancy	2,258,378	2,011,022
Construction contracting	2,255,773	2,592,461
	4,514,151	4,603,483
Timing of revenue recognition		
Service transferred at a point in time	45,197	40,436
Service transferred over time	4,468,954	4,563,047
	4,514,151	4,603,483
Geographical markets		
China	4,494,383	4,589,916
Other countries	19,768	13,567
	4,514,151	4,603,483

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023

Segments	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	2,258,378	2,255,773	4,514,151
Intersegment sales	92	–	92
	2,258,470	2,255,773	4,514,243
Intersegment adjustments and eliminations	(92)	–	(92)
Total revenue from contracts with customers	2,258,378	2,255,773	4,514,151

For the six-month period ended 30 June 2022

Segments	Design, survey and consultancy RMB'000 (Unaudited)	Construction contracting RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	2,011,022	2,592,461	4,603,483
Intersegment sales	2,677	–	2,677
	2,013,699	2,592,461	4,606,160
Intersegment adjustments and eliminations	(2,677)	–	(2,677)
Total revenue from contracts with customers	2,011,022	2,592,461	4,603,483

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	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	RMB'000	RMB'000
Other income and gains		
Interest income	197,695	217,307
Fair value gains on financial assets at fair value		
through profit or loss	2,165	4,000
Government grants	3,074	3,855
Foreign exchange gains	9,055	12,123
Additional tax deduction for input VAT	1,595	15,069
Others	6,534	21,802
	220,118	274,156

5. FINANCE COSTS

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

	Six-month period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	RMB'000	RMB'000
Interest on bank and other borrowings	141,068	155,680
Interest on lease liabilities	6,380	8,718
	147,448	164,398

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

6. PROFIT BEFORE TAX

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

	<i>Note</i>	Six-month period ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000
Cost of design, survey and consultancy services		1,612,507	1,433,812
Cost of construction contracts		2,057,161	2,473,025
Total cost of sales		3,669,668	3,906,837
Depreciation of property, plant and equipment		43,767	33,701
Depreciation of right-of-use assets		56,985	65,149
Amortisation of intangible assets		20,435	18,196
Total depreciation and amortisation		121,187	117,046
Impairment of trade and bills receivables, net		87,717	118,436
Impairment of contract assets, net		55,477	38,152
Impairment of other receivables, net		(469)	18,891
Lease payments not included in the measurement of lease liabilities		181,538	170,814
Employee benefit expenses (excluding directors' and supervisors' remuneration):			
Wages, salaries and allowances		719,931	686,390
Retirement benefit costs			
– Defined contribution retirement schemes		106,897	85,971
– Defined benefit retirement schemes		2,020	1,910
Total retirement benefit costs		108,917	87,881
Welfare and other expenses		176,012	184,709
Total employee benefit expenses		1,004,860	958,980
Fair value gains of financial assets at fair value through profit or loss	4	(2,165)	(4,000)
Interest income	4	(197,695)	(217,307)
Government grants	4	(3,074)	(3,855)
Gain on disposal of property, plant and equipment, net		(1,615)	(90)
Foreign exchange differences, net	4	(9,055)	(12,123)

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 2023 and 2022 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 2023 and 2022.

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax – Mainland China	71,626	60,205
Deferred income tax	(37,937)	(10,754)
Total tax charge for the period from continuing operations	33,689	49,451
Total tax charge for the period from the discontinued operation	–	–
	33,689	49,451

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

7. INCOME TAX EXPENSE (CONTINUED)

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 2023 and 2022 is as follows:

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Profit before tax from continuing operations	439,355	367,515
Profit before tax from the discontinued operation	–	156,939
	439,355	524,454
Income tax charge at the statutory income tax rate	109,839	131,114
Effect of different income tax rates for some entities	(31,828)	(29,634)
Tax effect of share of profits and losses of joint ventures and associates	(29,436)	(26,274)
Expenses not deductible for tax purposes	4,477	4,496
Tax losses utilised from previous periods	(22,509)	(180)
Effect of not recognised temporary differences	259	(26,931)
Adjustments in respect of current tax of previous periods	2,610	(6,046)
Tax losses not recognised	277	2,906
Tax charge for the period at the effective rate	33,689	49,451
Tax charge from continuing operations at the effective rate	33,689	49,451
Tax charge from the discontinued operation at the effective rate	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

8. DIVIDENDS

The dividends for the six-month periods ended 30 June 2023 and 2022 are set out below:

	<i>Note</i>	Six-month period ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Declared 2022 final dividend – RMB0.1898 (2021: RMB0.1679) per ordinary share	<i>(i)</i>	255,978	226,442

Note:

- (i) At the annual general meeting held on 25 May 2023, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2022 of RMB0.1898 per share which amounted to RMB255,978,000 in total.

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.

The directors did not recommend the payment of an interim dividend for the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 and 2022.

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent		
From continuing operations	399,882	327,160
From the discontinued operation	–	156,939
	399,882	484,099

	Six-month period ended 30 June	
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
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 2023, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB76,243,000 (unaudited) (six-month period ended 30 June 2022 (unaudited and restated): RMB18,397,000).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB329,000 (unaudited) (six-month period ended 30 June 2022 (unaudited and restated): RMB336,000) were disposed of, which resulted in a net gain on disposal of approximately RMB1,615,000 (six-month period ended 30 June 2022 (unaudited and restated): a net gain on disposal of approximately RMB90,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 from 2 years to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 13 months and 13 years, while motor vehicles generally have lease terms between 13 months and 4 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 (Unaudited)	Buildings RMB'000 (Unaudited)	Motor vehicles RMB'000 (Unaudited)	Measurement and experimental equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at 1 January 2023	215,851	314,595	2,645	157	533,248
Additions	2,711	27,886	466	–	31,063
Disposal	–	(23,819)	–	–	(23,819)
Depreciation	(5,167)	(50,952)	(767)	(99)	(56,985)
As at 30 June 2023	213,395	267,710	2,344	58	483,507

	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	210,866	313,026	2,559	1,234	527,685
Additions	15,746	114,435	2,125	–	132,306
Disposal	(1,577)	(1,013)	–	(847)	(3,437)
Depreciation	(9,184)	(111,853)	(2,039)	(230)	(123,306)
As at 31 December 2022	215,851	314,595	2,645	157	533,248

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000
Carrying amount at 1 January	317,545	316,627
New leases	30,552	132,306
Disposal	(25,276)	(7,189)
Accretion of interest recognised	6,380	12,339
Payments	(63,884)	(136,538)
Carrying amount at 30 June/31 December	265,317	317,545
Portion classified as current liabilities	(96,377)	(105,349)
Non-current portion	168,940	212,196

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

	Six-month period ended 30 June 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000
Interest on lease liabilities	6,380	12,339
Depreciation of right-of-use assets	56,985	123,306
Expense relating to short-term leases and other leases	9,571	15,367
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	170,520	380,869
Total amount recognised in profit or loss	243,456	531,881

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 RMB4,034,000 (unaudited) (six-month period ended 30 June 2022 (unaudited and restated): RMB8,640,000), details of which are included in note 4.

At 30 June 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Within one year	–	4,716

12. CONTRACT ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
	<i>Note</i>	
Contract assets arising from:		
Design, survey and consultancy services	3,376,688	2,894,167
Construction services	7,099,307	6,981,617
	10,475,995	9,875,784
Impairment	(305,437)	(249,960)
	10,170,558	9,625,824
Portion classified as non-current contract assets	(5,019,769)	(5,193,370)
	5,150,789	4,432,454

Note:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

12. CONTRACT ASSETS (CONTINUED)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Amounts of retentions in contract assets	162,443	129,321

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 2023, RMB55,477,000 (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 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000
At beginning of period/year	249,960	210,901
Impairment losses recognised	56,315	124,621
Impairment losses reversed	(838)	(32,145)
Impairment losses written off	–	(53,417)
At end of period/year	305,437	249,960

As at 30 June 2023, the Group's contract assets of RMB5,681,042,000 (unaudited) (31 December 2022: RMB5,826,554,000) were pledged to secure certain of the Group's bank loans amounting to RMB5,004,816,000 (unaudited) (31 December 2022: RMB5,090,234,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

12. CONTRACT ASSETS (CONTINUED)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Associates	578,565	410,036
Beneficial Shareholders and their affiliates	577,222	344,615
BUCG	47,549	38,313
Fellow subsidiaries	40,455	35,426
Associates of BUCG	10,531	1,466
A joint venture of BUCG	1,359	994
A non-controlling shareholder	1,039	76
A joint venture	448	533
	1,257,168	831,459

* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 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")	4,400	4,600
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
	14,921	15,121

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 2023

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Listed equity investment, at fair value – non-current		
Beijing Jiuzhou First Rail Environmental Technology Co., Ltd. ("北京九州一軌環境科技股份有限公司")	9,204	8,794
Unlisted equity investment, at fair value – non-current		
Shaoxing Jingyue Metro Co., Ltd. ("紹興京越地鐵有限公司")	452,000	425,000
	461,204	433,794

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 RMB16,206,000 (unaudited) for the six-month period ended 30 June 2023 (six-month period ended 30 June 2022 (unaudited): RMB8,194,000).

15. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Trade receivables	4,956,038	4,613,596
Bills receivable	39,912	29,740
	4,995,950	4,643,336
Impairment	(965,653)	(877,936)
	4,030,297	3,765,400

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 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Within 6 months	1,738,332	1,616,254
6 months to 1 year	769,368	374,560
1 to 2 years	479,252	762,184
2 to 3 years	579,278	519,104
3 to 4 years	302,724	291,520
4 to 5 years	141,022	190,024
Over 5 years	20,321	11,754
	4,030,297	3,765,400

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

	Six-month period ended 30 June 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000
At beginning of period/year	877,936	1,017,614
Impairment losses recognised	149,705	172,176
Impairment losses reversed	(61,988)	(23,128)
Impairment losses written off	–	(288,726)
At end of period/year	965,653	877,936

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Beneficial Shareholders and their affiliates	658,570	613,924
Associates	264,279	161,722
BUCG	99,213	86,222
Fellow subsidiaries	61,588	62,164
Joint ventures	59,984	12,858
Associates of BUCG	812	2,507
	1,144,446	939,397

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 RMB202,386,000 (unaudited) at 30 June 2023 (31 December 2022: RMB154,645,000) which were pledged to secure certain of the Group's bank loans amounting to RMB5,004,816,000 (unaudited) (31 December 2022: RMB5,090,234,000).

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
	250,852	203,460
Deductible value-added tax	231,918	286,565
Prepayments	222,023	218,158
Deposits and other receivables	704,793	708,183
Impairment	(36,164)	(36,633)
	668,629	671,550
Portion classified as non-current assets	(277,006)	(229,177)
	391,623	442,373

Note:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

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

	Six-month period ended 30 June 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000
At beginning of period/year	36,633	35,368
Impairment losses recognised	4,898	8,609
Impairment losses reversed	(5,367)	(7,344)
At end of period/year	36,164	36,633

The amounts due from the Beneficial Shareholders and their affiliates, associates of BUCG, a non-controlling shareholder and other related parties included in the prepayments, other receivables and other assets are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Beneficial Shareholders and their affiliates	5,929	269
Associates of BUCG	1,436	1,053
A non-controlling shareholder	20	20
Fellow subsidiaries	–	50
	7,385	1,392

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 2023

17. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Cash and bank balances	2,240,045	4,221,255
Time deposits	150,243	60,243
	2,390,288	4,281,498
Pledged bank balances for bidding guarantees and performance guarantees	(65,006)	(41,052)
Cash and bank balances in the interim condensed consolidated statement of financial position	2,325,282	4,240,446
Non-pledged time deposits with original maturity of more than three months when acquired	(243)	(243)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	2,325,039	4,240,203
Cash and bank balances and time deposits denominated in:		
– RMB	2,124,936	4,027,443
– Other currencies	265,352	254,055
	2,390,288	4,281,498

18. TRADE AND BILLS PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Trade payables	4,719,440	5,309,491
Bills payable	–	50,000
	4,719,440	5,359,491

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Within 6 months	1,803,914	2,731,051
6 months to 1 year	1,153,145	455,330
1 to 2 years	420,458	1,034,351
2 to 3 years	535,045	346,721
Over 3 years	806,878	792,038
	4,719,440	5,359,491

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Associates of BUCG	103,636	155,072
Fellow subsidiaries	101,779	88,213
Beneficial Shareholders and their affiliates	28,999	30,798
A joint venture	17,380	15,542
BUCG	15,205	15,205
An associate	12,913	23,962
A non-controlling shareholder	7,728	7,728
	287,640	336,520

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

19. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Contract liabilities	<i>(i)</i>	2,693,868	2,905,534
Accrued salaries, wages and benefits		431,249	434,483
Other taxes payable		664,269	779,895
Retention payables		105,280	121,922
Dividend payables		276,956	20,034
Deferred income		10,733	11,926
Other payables		237,780	215,080
		4,420,135	4,488,874
Portion classified as non-current liabilities	<i>(ii)</i>	(375,329)	(380,474)
Current portion		4,044,806	4,108,400

Notes:

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Short-term advances received from customers	738,528	652,877
Amounts due to contract customers	1,955,340	2,252,657
Total contract liabilities	2,693,868	2,905,534

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

19. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to the Beneficial Shareholders and their affiliates, associates, BUCG and other related parties included in other payables and accruals are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Beneficial Shareholders and their affiliates	460,337	465,653
Associates	300,490	2,990
BUCG	68,627	41,552
Fellow subsidiaries	45,325	74,594
Associates of BUCG	38,155	45,304
Joint ventures	7,714	3,616
A non-controlling shareholder	103	291
	920,751	634,000

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 2023

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2023 (Unaudited)			As at 31 December 2022		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Non-current						
Long-term bank loans:						
– Secured (i)	3.00%-5.11%	2025-2045	4,434,760	3.00%-5.11%	2024-2045	4,507,521
– Unsecured	1.81%	2025	15,600	1.81%	2025	15,600
Long-term other borrowings:						
– Unsecured	3.53%-4.90%	2025-2026	748,638	3.53%-4.90%	2024-2026	739,741
Lease liabilities (note 11(b))	4.75%-4.90%	2025-2041	168,940	4.75%-4.90%	2024-2032	212,196
			5,367,938			5,475,058
Current						
Current portion of long-term bank loans:						
– Secured (i)	3.00%-5.11%	2024	177,060	3.00%-5.11%	2023	187,122
Short-term bank loans:						
– Secured (i)	4.90%	2024	392,996	4.90%	2023	395,591
– Unsecured	2.80%-4.235%	2024	116,381	3.50%-4.235%	2023	119,749
Current portion of long-term other borrowings:						
– Unsecured	–	–	–	4.90%	2023	120,000
Short-term other borrowings:						
– Unsecured	2.95%	2023	508,203	2.95%	2023	500,889
Current portion of lease liabilities (note 11(b))						
	4.75%-4.90%	2024	96,377	4.75%-4.90%	2023	105,349
			1,291,017			1,428,700
			6,658,955			6,903,758
Denominated in:						
– RMB			6,658,955			6,903,758

- (i) The bank loans of RMB5,004,816,000 (unaudited) (31 December 2022: RMB5,090,234,000) were secured by the right of future contract assets, trade receivables and intangible assets for certain service concession arrangements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

The maturity profile of the interest-bearing bank and other loans as at 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	686,437	702,462
In the second year	212,000	183,500
In the third to fifth years, inclusive	848,600	802,000
Over five years	3,389,760	3,537,621
	5,136,797	5,225,583
Other borrowings repayable:		
Within one year	508,203	620,889
In the second year	100,000	100,000
In the third to fifth years, inclusive	648,638	639,741
	1,256,841	1,360,630
Lease liabilities repayable:		
Within one year	96,377	105,349
In the second year	60,113	74,093
In the third to fifth years, inclusive	76,315	92,399
Over five years	32,512	45,704
	265,317	317,545
	6,658,955	6,903,758

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
A non-controlling shareholder	138,000	263,733
BUCG	15,600	15,600

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 into a capital increase agreement with BUCG and its affiliate, Beijing Chengke Yunchuang Enterprise Management Partnership (Limited Partnership) as well as other parties. As at 31 December 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 for 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:

	As at the date of disposal RMB'000
Net assets disposed of:	
Total non-current assets	116,874
Total current assets	1,107,301
Total current liabilities	(1,097,212)
Total non-current liabilities	(30,653)
	96,310
Non-controlling interests	(38,524)
Net assets attributable to the parent company	57,786
Investment in an associate	(214,725)
Gain on disposal of a subsidiary	156,939
Satisfied by cash	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Contracted, but not provided for:		
Equity investments	1,281,603	1,580,591
Property, plant and equipment	446,718	481,169
	1,728,321	2,061,760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 and 2022:

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Design, survey and consultancy services provided to:		
Beneficial Shareholders and their affiliates	223,984	197,052
Fellow subsidiaries	25,097	13,878
BUCG	21,701	56,966
Associates of BUCG	13,611	5,162
Associates	6,456	287
A joint venture	1,242	467
Non-controlling shareholders	963	12,431
A joint venture of BUCG	458	1,274
	293,512	287,517
Construction contracting services provided to:		
An associate	856,010	577,925
Beneficial Shareholders and their affiliates	616,138	969,340
BUCG	23,171	23,788
Fellow subsidiaries	22,309	30,039
A joint venture	692	1,294
An associate of BUCG	73	88
	1,518,393	1,602,474
Construction contracting services provided by:		
Fellow subsidiaries	40,374	3,949
Associates of BUCG	38,110	246
Beneficial Shareholders and their affiliates	401	–
An associate	59	–
A non-controlling shareholder	–	10,600
	78,944	14,795

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 and 2022: (continued)

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Design, survey and consultancy services provided by:		
Associates	8,171	11,909
A joint venture	2,851	40,296
Beneficial Shareholders	939	4,189
Fellow subsidiaries	19	5,562
Associates of BUCG	–	1,249
	11,980	63,205
Rental expenses and property management fees paid or payable to:		
Fellow subsidiaries	9,277	6,323
BUCG	1,525	3,412
A Beneficial Shareholder	1,210	1,211
	12,012	10,946
Interest income received or receivable from:		
A joint venture	–	5,017
An associate	–	2,333
	–	7,350
Interest expense paid or payable to:		
A non-controlling shareholder	6,321	6,321
BUCG	135	–
	6,456	6,321
Rental income from:		
A fellow subsidiary	–	2,358
Loans provided to:		
A joint venture	–	9,830

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 2023 and 2022: (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 2023 and 2022, 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 2023	30 June 2022
		'000	'000
		(Unaudited)	(Unaudited)
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. 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. Xu Chengyong (徐成永)		660	660
Mr. Ma Haizhi (馬海志)		660	660
Mr. Xia Xiujiang (夏秀江)		620	620
Mr. Yin Zhiguo (尹志國)		620	620
Mr. Lu Weidong (魯衛東)	(i)	550	–
Mr. Yang Zhenyu (楊振宇)	(ii)	550	–
Ms. Qian Jiahong (錢嘉宏)	(iii)	450	–
Mr. Yang Xiuren (楊秀仁)	(iv)	–	750
Ms. Cheng Yan (成硯)		–	350
		8,610	8,160

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 and 2022: (continued)

Notes:

- (i) Mr. Lu Weidong was appointed as key management of the Company in August 2022.
- (ii) Mr. Yang Zhenyu was appointed as key management of the Company in March 2023.
- (iii) Ms. Qian Jiahong was appointed as key management of the Company in March 2023.
- (iv) Mr. Yang Xiuren resigned as key management of the Company in August 2022.

(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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,541	3,105
Pension scheme	636	474
	4,177	3,579

(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 certain of the Beneficial Shareholders and their affiliates, BUCG and a fellow subsidiary, the Company was engaged in building certain subways and the backlog as at 30 June 2023 amounting to RMB4,851 million (unaudited) (31 December 2022: RMB5,574 million).

Pursuant to certain design service contracts signed by the Company and certain of the Beneficial Shareholders and their affiliates, fellow subsidiaries, an associate of BUCG and a joint venture, the Company was engaged in designing certain subways and industrial and civil construction and municipal engineering, and the backlog as at 30 June 2023 amounting to RMB1,230 million (unaudited) (31 December 2022: RMB1,194 million).

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Commitments with related parties (continued)

Pursuant to certain construction contracts signed by the Company and associates of BUCG and fellow subsidiaries, the Company was engaged in purchasing construction contracting services, and the backlog as at 30 June 2023 amounting to RMB232 million (unaudited) (31 December 2022: RMB159 million).

Pursuant to certain design service contracts signed by the Company and a joint venture, an associate, fellow subsidiaries, certain of the Beneficial Shareholders and their affiliates and an associate of BUCG, the Company was engaged in purchasing design, survey and consultancy services, and the backlog as at 30 June 2023 amounting to RMB11 million (unaudited) (31 December 2022: RMB4 million).

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 2023
	RMB'000
	(Unaudited)
<hr/>	
Financial assets	
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	461,204
Financial assets at fair value through other comprehensive income:	
Equity investments designated at fair value through other comprehensive income	14,921
Financial assets at amortised cost:	
Trade and bills receivables	4,030,297
Financial assets included in prepayments, other receivables and other assets	185,859
Pledged deposits	65,006
Cash and bank balances	2,325,282
	<hr/>
	7,082,569
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Financial liabilities	
Financial liabilities at amortised cost:	
Interest-bearing bank and other borrowings	6,658,955
Trade and bills payables	4,719,440
Financial liabilities included in other payables and accruals	620,016
	<hr/>
	11,998,411
<hr/>	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2022

RMB'000

Financial assets

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss 433,794

Financial assets at fair value through other comprehensive income:

Equity investments designated at fair value through other comprehensive income 15,121

Financial assets at amortised cost:

Trade and bills receivables 3,765,400

Financial assets included in prepayments, other receivables and other assets 181,525

Pledged deposits 41,052

Cash and bank balances 4,240,446

8,677,338

Financial liabilities

Financial liabilities at amortised cost:

Interest-bearing bank and other borrowings 6,903,758

Trade and bills payables 5,359,491

Financial liabilities included in other payables and accruals 357,036

12,620,285

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	461,204	433,794	461,204	433,794
Equity investments designated at fair value through other comprehensive income	14,921	15,121	14,921	15,121
Financial assets included in prepayments, other receivables and other assets, non-current portion	20,228	16,358	20,312	18,977
	496,353	465,273	496,437	467,892
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	5,198,998	5,262,862	5,034,714	5,079,239
Financial liabilities included in other payables and accruals, non-current portion	15,410	11,057	15,410	11,057
	5,214,408	5,273,919	5,050,124	5,090,296

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 2023 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 2023

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 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss:				
Listed equity investments	–	–	9,204	9,204
Unlisted equity investments	–	–	452,000	452,000
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	14,921	14,921
	–	–	476,125	476,125

31 December 2022

	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	–	–	433,794	433,794
Financial assets designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	15,121	15,121
	–	–	448,915	448,915

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

Fair value hierarchy: (continued)

Assets for which fair values are disclosed:

30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	20,312	–	20,312

31 December 2022

	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	–	18,977	–	18,977

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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

Fair value hierarchy: (continued)

Liabilities for which fair values are disclosed:

30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings, non-current portion (other than lease liabilities)	–	5,034,714	–	5,034,714
Financial liabilities included in other payables and accruals, non-current portion	–	15,410	–	15,410
	–	5,050,124	–	5,050,124

31 December 2022

	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)	–	5,079,239	–	5,079,239
Financial liabilities included in other payables and accruals, non-current portion	–	11,057	–	11,057
	–	5,090,296	–	5,090,296

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

26. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there was no significant subsequent event after 30 June 2023.

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 31 August 2023.