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**京投軌道交通科技控股有限公司**

**BII Railway Transportation Technology Holdings Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1522)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “Board”) of directors (the “Directors”) of BII Railway Transportation Technology Holdings Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2020 – unaudited**(Expressed in Hong Kong dollars (“HK\$”))*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	4	<b>530,060</b>	495,953
Cost of sales		<b>(307,440)</b>	(317,574)
<b>Gross profit</b>		<b>222,620</b>	178,379
Other income		<b>21,847</b>	51,237
Selling, general and administrative expenses		<b>(98,138)</b>	(101,092)
Research expenses		<b>(56,405)</b>	(44,796)
<b>Profit from operations</b>		<b>89,924</b>	83,728
Finance costs	5(a)	<b>(14,537)</b>	(13,413)
Share of results of joint ventures and associates		<b>(28,308)</b>	3,900
Fair value change in contingent considerations	5(b)	<b>(4,734)</b>	(2,400)
<b>Profit before taxation</b>	5	<b>42,345</b>	71,815
Income tax	6	<b>(7,485)</b>	(9,751)
<b>Profit for the period</b>		<b>34,860</b>	62,064
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>32,741</b>	59,471
Non-controlling interests		<b>2,119</b>	2,593
<b>Profit for the period</b>		<b>34,860</b>	62,064
<b>Earnings per share</b>			
– Basic and diluted (HK\$)	7	<b>0.0156</b>	0.0283

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Profit for the period</b>	<b>34,860</b>	62,064
<b>Other comprehensive income for the period (after tax):</b>		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	<u>(35,954)</u>	<u>(19,536)</u>
<b>Total comprehensive income for the period</b>	<b><u>(1,094)</u></b>	<b><u>42,528</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(3,014)</b>	35,571
Non-controlling interests	<b><u>1,920</u></b>	<u>6,957</u>
<b>Total comprehensive income for the period</b>	<b><u>(1,094)</u></b>	<b><u>42,528</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in HK\$)

		At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment		168,215	175,604
Intangible assets		219,899	228,771
Goodwill		610,257	622,239
Interests in joint ventures and associates		432,817	462,687
Income tax recoverable		–	3,934
Contingent considerations		163	181
Deferred tax assets		36,711	35,055
		<u>1,468,062</u>	<u>1,528,471</u>
<b>Current assets</b>			
Other financial assets		170,790	169,680
Inventories and other contract costs		489,357	502,489
Contingent considerations		17	–
Contract assets	8(a)	433,280	424,721
Trade and other receivables	9	648,034	557,594
Cash on hand and in bank		747,890	850,891
		<u>2,489,368</u>	<u>2,505,375</u>
<b>Current liabilities</b>			
Trade and other payables	10	775,869	784,340
Contract liabilities	8(b)	78,973	31,568
Bank and other borrowings	11	74,674	59,876
Lease liabilities		4,995	5,634
Current taxation		14,798	23,501
Contingent considerations		90,174	73,309
Provision for warranties		7,465	8,628
		<u>1,046,948</u>	<u>986,856</u>

		At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
<b>Net current assets</b>		<u>1,442,420</u>	<u>1,518,519</u>
<b>Total assets less current liabilities</b>		<u>2,910,482</u>	<u>3,046,990</u>
<b>Non-current liabilities</b>			
Bank and other borrowings	<i>11</i>	500,000	500,000
Lease liabilities		10,894	11,537
Contingent considerations		117,345	207,076
Deferred tax liabilities		50,020	52,497
Deferred income		1,275	1,077
Provision for warranties		<u>1,745</u>	<u>2,263</u>
		<u>681,279</u>	<u>774,450</u>
<b>NET ASSETS</b>		<u>2,229,203</u>	<u>2,272,540</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		21,001	21,001
Reserves		<u>2,123,543</u>	<u>2,168,215</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>2,144,544</u>	<u>2,189,216</u>
<b>Non-controlling interests</b>		<u>84,659</u>	<u>83,324</u>
<b>TOTAL EQUITY</b>		<u>2,229,203</u>	<u>2,272,540</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

(Expressed in HK\$)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance at 1 January 2020</b>	<b>21,001</b>	<b>1,813,243</b>	<b>28,152</b>	<b>53,362</b>	<b>(117,180)</b>	<b>390,638</b>	<b>2,189,216</b>	<b>83,324</b>	<b>2,272,540</b>
Profit for the period	-	-	-	-	-	32,741	32,741	2,119	34,860
Other comprehensive income	-	-	-	-	(35,755)	-	(35,755)	(199)	(35,954)
Total comprehensive income	-	-	-	-	(35,755)	32,741	(3,014)	1,920	(1,094)
Dividends approved in respect of the previous year	-	(42,002)	-	-	-	-	(42,002)	-	(42,002)
Change in capital reserve of an associate	-	-	344	-	-	-	344	-	344
Dividends to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(585)	(585)
Appropriation to reserves	-	-	-	2,048	-	(2,048)	-	-	-
	-	(42,002)	344	2,048	-	(2,048)	(41,658)	(585)	(42,243)
<b>Balance at 30 June 2020</b>	<b>21,001</b>	<b>1,771,241</b>	<b>28,496</b>	<b>55,410</b>	<b>(152,935)</b>	<b>421,331</b>	<b>2,144,544</b>	<b>84,659</b>	<b>2,229,203</b>

Attributable to equity shareholders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2019</b>	21,001	1,834,244	30,760	29,553	(64,325)	317,577	2,168,810	28,842	2,197,652
Profit for the period	-	-	-	-	-	59,471	59,471	2,593	62,064
Other comprehensive income	-	-	-	-	(23,900)	-	(23,900)	4,364	(19,536)
Total comprehensive income	-	-	-	-	(23,900)	59,471	35,571	6,957	42,528
Dividends approved in respect of the previous year	-	(21,001)	-	-	-	-	(21,001)	-	(21,001)
Acquisition of non-controlling interests	-	-	(473)	-	-	-	(473)	(21,251)	(21,724)
Business combinations	-	-	-	-	-	-	-	34,733	34,733
Appropriation to reserves	-	-	-	15,186	-	(15,186)	-	-	-
	-	(21,001)	(473)	15,186	-	(15,186)	(21,474)	13,482	(7,992)
<b>Balance at 30 June 2019</b>	<b>21,001</b>	<b>1,813,243</b>	<b>30,287</b>	<b>44,739</b>	<b>(88,225)</b>	<b>361,862</b>	<b>2,182,907</b>	<b>49,281</b>	<b>2,232,188</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 – unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Operating activities</b>		
Cash used in operations	(943)	(130,539)
Interest income received	8,146	13,601
Income tax paid	(19,965)	(21,109)
<b>Net cash used in operating activities</b>	<b>(12,762)</b>	<b>(138,047)</b>
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment and intangible assets	(3,222)	(9,188)
Proceeds from disposal of property, plant and equipment	368	5
Dividends received	423	3,093
Net payments for debt investments	(4,410)	(70,056)
Payment for contingent considerations	(71,942)	–
Net payment for business combination	–	(803,788)
Payment for acquisition of non-controlling interests of a subsidiary	–	(21,724)
Repayment of acquisition earnest deposit	–	482,790
Capital contribution to associates	–	(8,685)
Interest income received due from acquisition earnest deposit	–	14,870
Repayment of cash advances due from NetPosa Technologies Limited	–	223,406
<b>Net cash used in investing activities</b>	<b>(78,783)</b>	<b>(189,277)</b>

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financing activities</b>		
Proceeds from bank loans	<b>22,050</b>	6,813
Repayment of bank loans	<b>(6,616)</b>	(97,060)
Repayment of loans from a related party	–	(346,500)
Capital element of lease rentals paid	<b>(5,089)</b>	(5,363)
Interest element of lease rentals paid	<b>(423)</b>	(184)
Interest paid	<b>(14,114)</b>	(14,720)
Dividends to non-controlling interests of a subsidiary	<b>(585)</b>	–
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(4,777)</b>	(457,014)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net decrease in cash and cash equivalents</b>	<b>(96,322)</b>	(784,338)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>821,569</b>	1,053,269
<b>Effect of foreign exchange rate changes</b>	<b>(4,924)</b>	(796)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>720,323</b>	268,135
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## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in HK\$ unless otherwise indicated)

### 1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012. The listing of the Company’s shares were transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The interim financial information of the Company as at and for the six months ended 30 June 2020 comprises the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in joint ventures and associates. The principal activities of the Group are the design, production, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implement and sale of related software, hardware and spare part in utility tunnel areas, and the investment in the railway transportation areas through investing in equity.

### 2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial information as comparative information does not constitute the Company’s statutory consolidated financial statements for that financial year but is derived from those financial statements. The financial statements for the year ended 31 December 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2020.

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information.

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines and geographical location of customers is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major service lines		
– Revenue from intelligent railway transportation services	<b>460,181</b>	428,368
– Revenue from infrastructure information services	<b>69,879</b>	67,585
	<b>530,060</b>	495,953
Disaggregated by geographical location of customers		
– Mainland China	<b>508,919</b>	463,287
– Hong Kong	<b>21,141</b>	32,666
	<b>530,060</b>	495,953

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b)(i).

**(b) Segment reporting**

The Group manages its businesses by business lines in a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Intelligent railway transportation: this segment provides design, production, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts in railway transportation areas.
- Infrastructure information: this segment provides civil communication transmission services as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas.
- Business development investment: this segment manages the equity investments in railway transportation and infrastructure areas.

**(i) Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2020 and 2019. The Group's other income and expense items, such as other income, selling, general and administrative expenses, research expenses, finance costs and fair value change in contingent considerations and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, no such information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below.

	Six months ended 30 June 2020			
	Intelligent railway transportation <i>HK\$'000</i>	Infrastructure information <i>HK\$'000</i>	Business development investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	392,776	10,035	–	402,811
Over time	67,405	59,844	–	127,249
Revenue from external customers and reportable segment revenue	<u>460,181</u>	<u>69,879</u>	<u>–</u>	<u>530,060</u>
Reportable segment gross profit	<u>193,186</u>	<u>29,434</u>	<u>–</u>	<u>222,620</u>
Share of results of joint ventures and associates	<u>–</u>	<u>–</u>	<u>(28,308)</u>	<u>(28,308)</u>
	Six months ended 30 June 2019			
	Intelligent railway transportation <i>HK\$'000</i>	Infrastructure information <i>HK\$'000</i>	Business development investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	357,329	9,159	–	366,488
Over time	71,039	58,426	–	129,465
Revenue from external customers and reportable segment revenue	<u>428,368</u>	<u>67,585</u>	<u>–</u>	<u>495,953</u>
Reportable segment gross profit	<u>170,492</u>	<u>7,887</u>	<u>–</u>	<u>178,379</u>
Share of results of joint ventures and associates	<u>–</u>	<u>–</u>	<u>3,900</u>	<u>3,900</u>

(ii) *Reconciliations of reportable segment profit or loss*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Reportable segment gross profit	<b>222,620</b>	178,379
Share of results of joint ventures and associates	<b>(28,308)</b>	3,900
Other income	<b>21,847</b>	51,237
Selling, general and administrative expenses	<b>(98,138)</b>	(101,092)
Research expenses	<b>(56,405)</b>	(44,796)
Finance costs	<b>(14,537)</b>	(13,413)
Fair value change in contingent considerations	<b>(4,734)</b>	(2,400)
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Profit before taxation	<b>42,345</b>	71,815

**5 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting):

**(a) Finance costs:**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interests on bank loans	<b>1,072</b>	1,679
Interests on loans from a related party	<b>13,042</b>	11,550
Interest on lease liabilities	<b>423</b>	184
	<hr/>	<hr/>
	<b>14,537</b>	13,413

(b) Other items:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Depreciation charge		
– owned property, plant and equipment	15,548	13,139
– right-of-use assets	3,491	1,927
Amortisation of intangible assets	8,280	11,868
Interest income	(8,092)	(24,302)
Investment income	(2,474)	(729)
Government grants	(13,790)	(11,943)
Impairment/(reversal) of trade and other receivables and contract assets	7,133	(596)
Fair value change in contingent considerations, net	4,734	2,400
Exchange loss/(gain)	2,430	(14,085)
Net loss/(gain) on disposal of property, plant and equipment	86	(67)
Inventory write-down	1,200	9,975

6 INCOME TAX

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Current taxation:</b>		
– Hong Kong Profits Tax ( <i>Note (i)</i> )	1,597	995
– PRC Corporate Income Tax ( <i>Notes (iv), (v), (vi) &amp; (vii)</i> )	9,659	16,388
	<u>11,256</u>	<u>17,383</u>
<b>Deferred taxation:</b>		
– Origination and reversal of temporary differences	(3,771)	(7,632)
	<u>7,485</u>	<u>9,751</u>

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profit Tax rate regime (six months ended 30 June 2019: 16.5%).

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis for the six months ended 30 June 2019.

- (ii) One subsidiary of the Group incorporated in India is subject to income tax rate of 26% included surcharge and health and education cess for the six months ended 30 June 2020 pursuant to the rules and regulations of India (six months ended 30 June 2019: not applicable).
- (iii) The Company and the subsidiaries of the Group incorporated in countries other than either the PRC (including Hong Kong) or India are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iv) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).
- (v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% (six months ended 30 June 2019: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 75% of the qualified research and development costs incurred by these subsidiaries (six months ended 30 June 2019: 75%).
- (vi) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction. As a result, a subsidiary enjoyed exemption from PRC Corporate Income and another subsidiary enjoyed 50% PRC Corporate Income Tax reduction for the six months ended 30 June 2020 (six months ended 30 June 2019: two subsidiaries enjoyed exemption from PRC Corporate Income Tax).
- (vii) During the six months ended 30 June 2020, a subsidiary of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for the subsidiary, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 5%; the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 10%.

## **7 BASIC AND DILUTED EARNINGS PER SHARE**

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$32,741,000 (six months ended 30 June 2019: HK\$59,471,000) and the weighted average of 2,100,127,000 ordinary shares (31 December 2019: 2,100,127,000 ordinary shares) in issue during the interim period.

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2020 and 2019. Therefore, there was no difference between basic and diluted earnings per share.

## 8 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
<b>Contract assets</b>		
Arising from performance under contracts with customers	<b>466,056</b>	451,566
Less: loss allowance	<b>(32,776)</b>	(26,845)
	<b>433,280</b>	424,721

### (b) Contract liabilities

	At 30 June 2019 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
<b>Contract liabilities</b>		
Service contracts		
– Billings in advance of performance	<b>78,973</b>	31,568

## 9 TRADE AND OTHER RECEIVABLES

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Trade receivables due from ( <i>Note 9(a)</i> ):		
– third parties	409,046	271,343
– affiliates of an equity shareholder of the Company	4,597	26,227
– associates of the Group	3,526	3,019
Bills receivable	137,406	184,582
	<u>554,575</u>	<u>485,171</u>
Amounts due from related parties ( <i>Note 9(b)</i> ):		
– equity shareholders of the Company and their affiliates	475	244
– a joint venture of the Group	–	1,116
– non-controlling equity holders of a subsidiary of the Group	2,548	2,598
	<u>3,023</u>	<u>3,958</u>
	557,598	489,129
Less: loss allowance	(14,322)	(14,170)
Prepayments, deposits and other receivables	97,491	62,744
VAT recoverable	5,324	18,752
	<u>646,091</u>	<u>556,455</u>
Financial assets measured at amortised cost	646,091	556,455
Fair value of put-options in connection with acquisition of a subsidiary	1,037	1,139
Fair value of forward foreign exchange contract	906	–
	<u>648,034</u>	<u>557,594</u>

All of the trade and other receivables are expected to be settled or recognised as expenses within one year.

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 1 year	478,698	410,511
Over 1 year	75,877	74,660
	<u>554,575</u>	<u>485,171</u>

**(b) Amounts due from related parties**

Amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

**10 TRADE AND OTHER PAYABLES**

	At <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Trade payables due to <i>(Note 10(a))</i>		
– third parties	555,537	540,776
– a joint venture of the Group	5,733	5,628
– an associate of the Group	–	123
Bills payable <i>(Note 10(a))</i>	<u>90,385</u>	<u>133,569</u>
	<b>651,655</b>	680,096
Amounts due to an affiliate of an equity shareholder of the Company	2,157	234
Dividends payable	42,002	–
Accrued expenses and other payables	<u>69,280</u>	<u>87,141</u>
Financial liabilities measured at amortised cost	765,094	767,471
Other taxes payables	9,946	16,364
Put-options in connection with share-based transaction	<u>829</u>	<u>505</u>
	<b><u>775,869</u></b>	<b><u>784,340</u></b>

At 30 June 2020, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

**(a) Ageing analysis**

Included in trade and other payables are trade and bills payables with the following ageing analysis, based on the maturity date, as of the end of the reporting period:

	At <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Due within 1 month or on demand	561,270	568,855
Due after 1 month but within 6 months	67,136	74,928
Due after 6 months but within 1 year	<u>23,249</u>	<u>36,313</u>
	<b><u>651,655</u></b>	<b><u>680,096</u></b>

## 11 BANK AND OTHER BORROWINGS

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Bank loans		
– Guaranteed and unsecured ( <i>Note(i)</i> )	34,166	34,201
– Unguaranteed and unsecured ( <i>Note(ii)</i> )	40,508	25,675
Borrowings from a related party ( <i>Note(iii)</i> )	500,000	500,000
	<u>574,674</u>	<u>559,876</u>

### Notes:

- (i) As at 30 June 2020, the bank loans were guaranteed by Bank of Ningbo, a third party.
- (ii) Some of the Group's bank loans are subject to fulfilment of covenants commonly found in lending agreements with financial institutions. If the Group were to breach the covenants, the drawn down loans would become payable on demand. The Group's management regularly monitors its compliance with these covenants. As at 30 June 2020, none of the covenants relating to the drawn down facilities has been breached.
- (iii) On 12 July 2019, the related party granted a loan of HK\$500,000,000 to a subsidiary of the Company, which bears an interest rate of 5.13% per annum and will be due on 12 December 2021.

## 12 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$Nil).

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved during the interim period, of HK\$2 cents (2019: HK\$1 cent) per ordinary share	<u>42,002</u>	<u>21,001</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET AND BUSINESS ENVIRONMENT

The outbreak and spread of COVID-19 had a huge impact on the global, as well as China's, economic and social activities in the first half of 2020. As a result, liquidity in capital markets weakened, and China's economy was hit hard, which had a phased effect on the industry, manufacturing, transportation, service and other sectors. The International Monetary Fund (IMF) has reduced the global GDP growth in 2020 from its January forecast of 3.3% to a June forecast of -4.9%. This may indicate the worst economic recession since the Great Depression in the 1930s. China is the first to take proactive measures to control the pandemic and to stabilise the economy and ensure supply. Under the guidance of China's macro policies, "new infrastructure", represented by digital infrastructure, has accelerated the economic transformation in the country, which has broad prospects. In the meantime, China has entered into an unprecedentedly active period of technological innovation with artificial intelligence, big data and quantum information, etc., driving industrial transformation and upgrading in this new round of technological revolution. In addition, digital economy has become a new momentum of economic development.

Hardships and hopes coexist, so do opportunities and challenges. The public travel demand dropped due to the pandemic and passenger flow plunged significantly. Moreover, the bidding, construction and check and acceptance of rail transit projects generally ran behind schedule. The light of recovery was seen in May when China's efforts to curb the outbreak produced initial results, with resumption of project construction and passenger traffic in the transportation sector started to rise. However, the outbreak has brought new opportunities and challenges to the rail transit industry. For instance, passengers' behaviour, travel pattern, services they needed, passenger control and management have been undergoing changes, which will lead to a revolution in the traditional rail transit industry. New practise will appear as a result of the rapid and effective application of big data, artificial intelligence, 5G, Internet of Things (IoT) and other information technologies in emergency situations.

Currently, China's urban rail transit sector are still seeing rapid growth in investment, with project investment and scale of operation expanding. The number of cities that open and operate rail transit lines is gradually increasing. In the first half of 2020, new urban rail transit lines spanning a length of 272.54 km, with new investments of approximately RMB230.62 billion was approved. It's expected that two additional cities will begin to operate urban rail transit lines in the second half of 2020 and the length of the new lines will reach around 800 km. Meanwhile, the railway construction moves forward steadily and investments remain at a high level, with approximately RMB800 billion to be invested in railway in 2020. New railway lines to be opened this year will total 4,400 km. Rail transit, as a mobility way that has inelastic demand, will enter a period with a significant increase in investments and rapid construction and operation after the pandemic improves. The new operating mileage of rail transit during the 14th Five-year Plan period is expected to rise to a higher level from that during the 13th Five-year Plan period. The rail transit market is still in an incremental stage.

## BUSINESS OVERVIEW

The pandemic has a certain negative impact on the Group's operations. The implementation of projects under construction and market expansion advanced slowly in the first quarter of this year. The Group encountered difficulties in market expansion, due to a decline in the number of bids and tenders and slow progress of projects. With the pandemic stabilised in the second quarter, the Group has stepped up efforts to get out of the dilemma, which showed remarkable results. New orders delayed resurged in large quantity and project construction resumed back on track. Its financial position and business performance demonstrated a good development trend. In the face of this sudden outbreak, the Group, which relied on its technical strength and use of information technologies, took various actions to cut costs and improve efficiency and was able to resume production in an orderly manner under the premise of ensuring the safety of employees. Besides, the Group has applied for government supportive aids and compensation to mitigate the impact of the pandemic.

The Group's main businesses marked a steady growth in the first half of 2020. The revenue recorded a 6.9% year-on-year growth to approximately HK\$530.1 million during the six months ended 30 June 2020. The segment revenue generated by the intelligent rail transit business and infrastructure information business climbed 7.4% and 3.4% year on year to approximately HK\$460.2 million and approximately HK\$69.9 million, respectively. The gross profit margin was approximately 42.0%, up 6.0 percentage points from the previous year. The Group's operating profit was approximately HK\$89.9 million, representing a year-on-year rise of approximately 7.4%.

Affected by the pandemic, Beijing Metro Co., Ltd.\* (北京京城地鐵有限公司) (“Beijing Metro”) (which the Group holds a 49% stake in the joint venture) saw a year-on-year decline of 75% on average passenger flow and a sharp drop in fare revenue in the first half of 2020. As the pandemic stabilised, the passenger flow of Beijing Subway Capital Airport Express operated by Beijing Metro gradually picked up in July and August 2020, with drop of monthly passenger flow from 91% to 58% year-on-year. Meanwhile, Beijing Metro took action to reduce costs and improve efficiency and applied for supporting policies from the government. Beijing Metro recorded a loss of approximately HK\$24.6 million, a year-on-year decrease of approximately HK\$30.1 million. To promote the steady, long-term development of Beijing Metro, its shareholders are actively discussing the business model of Beijing Metro. The Group's profit for the period was approximately HK\$34.9 million in the first half of 2020, down 43.8% year on year, primarily due to the impact of Beijing Metro.

The Group took a pragmatic approach in managing its operating cash flow in the first half of 2020. Although inventory turnover slightly increased leading to a net outflow of approximately HK\$12.8 million from operating cash flow, gearing ratio remained at around 43.7%, similar to that in 2019. Its debt level was reasonable and controllable. The Group's cash and bank balances stood at approximately HK\$747.9 million as at 30 June 2020, a decrease of approximately HK\$103.0 million from HK\$850.9 million recorded as at 31 December 2019. The decline is largely due to the payment of the third consideration of HK\$71.9 million for the acquisition of Suzhou Huaqi Intelligent Technology Co., Ltd. (蘇州華啟智能科技有限公司) (“Huaqi Intelligent”) during the Period.

## **BUSINESS REVIEW**

Despite the pandemic, the Group fulfilled successfully its contract duty and pushed forth project with safety and high efficiency, including Zhengzhou Automatic Fare Collection Network Control Centre (“ANCC”), the Automated Fare Collection System (“AFC”) project of Zhengzhou Metro Line 4, Foshan Automatic Fare Collection Clearing Centre (“ACC”), Taiyuan ACC, Fuzhou Passenger Information System (“PIS”) and Beijing New Airport’s utility tunnel project, in a smooth and orderly manner by using different information technologies online and offline. All 124 project-under-construction resumed operation to the largest extent as of 30 June 2020, meeting client expectations and guaranteeing income for the Group. As for Hong Kong market, the Group continued to receive special demands after the unrest of last year and the outbreak of COVID-19, the Group has made immediate responses and provided high-quality services to ensure the normal operation of the city’s metro lines and the mobility safety of citizens.

As of 30 June 2020, the orders on hand of the Group were approximately HK\$2.17 billion, a growth of approximately HK\$180 million from approximately HK\$1.99 billion at the beginning of this year. It has expanded its footprints to four additional cities in Mainland China, including Taiyuan and Shaoxing, and another two countries, namely Mexico and Brazil adhering to its market strategy of “relying on Beijing and Hong Kong, expanding across the country, and making presence in international markets”. The Group’s businesses have currently covered a total of 43 domestic cities and 13 overseas cities in eight countries and regions.

## **BUSINESS ANALYSIS BY SEGMENT**

### **Intelligent Rail Transit Business**

The Group’s intelligent rail transit business mainly involves the design, construction, operation and maintenance of AFC, ACC, Traffic Control Centre (“TCC”) and PIS. Revenue of this segment was approximately HK\$460.2 million for the first half, representing a year-on-year increase of 7.4%. Significant growth was achieved in both project construction and new business expansion in the intelligent rail transit segment during the six months ended 30 June 2020.

## ■ *Continued growth in Beijing*

The number of new bid-winning projects and new contracts in Beijing totalled 41 in the first half of 2020.

- Secured an approximately RMB17.69 million worth of contract on the phase 2 AFC project of Beijing Rail TCC.
- Signed contracts on the projects of connecting Beijing New Airport line, the eastern extension of Beijing Subway Line 7 and the southern extension of Batong Line to the ACC/TCC system of Beijing Metro Network Control Centre. The contracts were valued at approximately RMB18.64 million.
- Won the bidding on the projects of connecting Beijing Suburban Railway Beijing-Chengde Line, the western extension of the Sub-center Line, northeastern ring and Beijing North Railway Station to the AFC system of Huairou-Miyun Line, and the equipment procurement project of existing MLC projects. The bid price amounted to approximately RMB27.51 million.
- Won the bidding of the southern AFC project of Beijing Subway Changping Line for approximately RMB32.8 million.
- Won the biddings on Beijing New Airport's highway unconscious payment project. The bid price was approximately RMB11.08 million. The unconscious payment project is a major innovation in the management model of highways as it uses two kinds of mobile payment gateways: payment through QR codes and license plates which avoid the problem of electronic toll collection (ETC) equipment installation, giving convenience for users, and shortened the time of cash payment, marking a new era in mobile toll collection in highways.

Besides, the Group has set up a joint venture - Beijing Cornerstone Yuanjing Digital Technology (北京基石遠景數字科技有限公司) together with Beijing ASU Tech Co., Ltd. (北京一數科技有限公司) (“Beijing ASU Tech”) (51% stake holds by the Group and 49% by Beijing ASU Tech) to focus on applying virtual laser display and virtual touch in rail transit. The two technologies are crucial part in intelligent rail transit development which can integrate into the Group’s PIS, platform screen door and other systems to create synergies and other advanced intelligent functions and services to passengers.

### ■ *Remarkable results in market expansion outside Beijing*

The Group, which has rich experience in the research and development, integration and implementation of ACC/AFC and PIS projects, has successfully promoted its “Beijing products+Beijing model” to other cities. The number of new bid-winning projects and new contracts secured outside Beijing reached 63 in the Period, among which key projects are obtained in Zhengzhou, Foshan, Taiyuan and Hong Kong. The Group actively developed new ground public address system on the basis of on-board and ground PIS, adding a new growth engine in its rail transit business. As of 30 June 2020, the number of vehicles the Group has served with on-board PIS service jumped 14% to 27,383. Such service has been applied in 22,133 km of high-speed rail lines, 2,370 km of intercity railway lines and 1,821 km of 59 urban rail transit lines in 29 cities.

- Signed contracts on iconic projects in Zhengzhou, such as the phase 1 big data cloud platform project, the AFC project of Zhengzhou Metro Line 4 and the PIS project of Zhengzhou Metro Line 4, in the first half of 2020 following the ANCC project in 2019. The contracts were valued at approximately RMB131.91 million.
- Signed a contract which worths approximately RMB31.50 million on the integrated procurement project of Foshan’s ACC system.
- Signed a contract worth approximately RMB22.44 million on Taiyuan Metro Line 2’s ACC project. It is the first time for the Group to participate in a key rail transit project in Taiyuan which the Group considered a challenge and an opportunity.
- Won the bidding of the on-board PIS project of Shaoxing Metro Line 1 for approximately RMB25.84 million. It is the first project partnership between the Group and Beijing Subway Rolling Stock Equipment Co., Ltd. (北京地鐵車輛裝備集團有限公司). Shaoxing Metro Line 1 is the first metro line the Group serves in the prefecture-level city.

- Signed an approximately RMB62.41 million worth of contract on the PIS of Mumbai Metro Line 2 and 7. It is the first time that the Group worked together with an international train supplier.
- Won the bidding of the PIS of Guangzhou Metro Line 7 for approximately RMB5.11 million.
- Signed the PIS contract for 8 lines of Guangzhou Metro, with an amount of approximately RMB106.34 million.
- Won the bidding of 11 PIS projects worth approximately RMB72.56 million in Qingdao, including BTS CRH trains and CRH trains with a speed of 350 km/h.
- Awarded approximately RMB45.58 million worth of contracts on PIS projects of Hangzhou Metro Line 4's and 6's phase 2 projects during the period.
- In Hong Kong, the Group signed contracts and won bids on of 20 projects from MTR Corporation Limited, New World First Bus Services Limited, Citybus Limited and Kwoon Chung Bus Holdings Limited, in the period. The projects were valued at approximately HK\$19.66 million.

Moreover, with the development of intelligent urban rail transit, the Group is active in participating in the informatisation of intelligent urban rail transit in Beijing, Guangzhou, Changsha, Suzhou, etc. and the establishment of intelligent and information-based transportation platforms. It provides intelligent operation and maintenance for information-based systems during their full life circle and improves the efficiency to contribute to the “Made in China” upgrading.

#### ■ *Breakthroughs in overseas markets*

The Group is gradually increasing its footprints in international markets while solidifying businesses in China. In spite of the difficulties caused by the pandemic, the Group has won the bidding of the PIS of a hinged train project in Mexico City, a SkyRail in Salvador, Brazil and Mumbai Metro Line 2&7 in India for approximately RMB72.14 million in the first half of this year riding on its competitive edge in technologies and project management.

## **Infrastructure Information Business**

The Group's infrastructure information business mainly comprises civil communications and utility tunnel. It has also been exploring different so-called smart city scenarios for applying its intelligent solutions. This new stream of business is collectively called "intelligent +". The Group achieved segment revenue of approximately HK\$69.9 million in the period, representing a year-on-year increase of 3.4%. It steadily pushed ahead with the infrastructure information business and made new attempts in business development in the first half of 2020.

### **■ *Refinement and new opportunity in civil communications***

As an investor and operator in civil communications in Beijing's rail transit network, the Group has invested in the northern extension of Fangshan Line, which is expected to be launched at the end of this year.

The Group has forged good partnerships with Beijing Mobile, Beijing Unicom, and Beijing Telecom, three major telecom operators. It reached an intention of cooperation on 2G/4G service in the western extension and phase 2 project of Subway Line 6, phase 3 project of Subway Line 8, Subway Lines 7 and 15 during the period. It signed a five-year agreement worth approximately RMB27.31 million on 3G service covering 130 train stations with Beijing Unicom in March.

The Group is prepared to diversify its civil communications transmission service Beijing's subway lines. A fully-connected fibre optic transmission network has been laid through Beijing subway lines which is set to enter the fibre optic rental market. The new civil communications projects it signed during the period were valued at approximately RMB80.03 million.

### **■ *The utility tunnel business was gradually optimised and new sales growth points were cultivated***

Utility tunnel is an integral part of smart city nowadays. Intelligent utility tunnel makes use of Internet of Things, big data, cloud computing and artificial intelligence in its management and operation, thus allow users to detect problem, reach out to manage and make timely decision in high efficiency.

The Group launched its self-developed products, including an intelligent operation, maintenance and management platform for utility tunnels, rich communication suite and local control unit (LCU), with which it improved the intelligent management and operation and maintenance. Efforts were made to promote the popularisation of self-developed products. The utility tunnel projects of Winter Olympics, Beijing New Airport, the eastern extension of Beijing Subway Line 7 and Future Science City have made steady progress during the period.

The Group signed new deals on utility tunnel projects of Beijing New Airport and the eastern extension of Beijing Subway Line 7 and on the intelligent utility tunnel operation and maintenance project of Future Science City during the period. The total value is approximately RMB11.91 million. The internal statistics showed that its utility tunnel business had a market share of approximately 65% in Beijing city.

### ■ *Advancement in “intelligent +” application scenarios*

The Group developed and launched various intelligent+ products, including intelligent building site, intelligent TOD (transit oriented development), etc., with the use of AI, big data, cloud computing as well as own investment in exploring application in different scenarios. In the first half of 2020, the Group explored in the Intelligent+ field and started to acquire orders.

To make a building site intelligent via informatisation, a project is accurately designed and construction simulation is conducted on a 3D design platform. An informatisation ecosystem characterised by interconnected collaboration, intelligent production and scientific management is created based on construction management. Data is analysed for the Group to predict trends and introduces experts’ plan. This will enable visual intelligent management of project construction. Thanks to its competitive technologies, the Group was responsible for constructing intelligent building sites for one section of Beijing Subway Line 11. It was awarded contracts worth approximately RMB2.16 million on intelligent building sites for two segments of Subway Line 11’s Winter Olympics branch line in the first half of 2020. This means that its “intelligent building site management system” has been put into use, which becomes its new profit engine.

New attempts were made in intelligent TOD. The Group compiled a visitor recognition and management and navigation scheme (topic) for communities, and an integrated efficient security check and passenger arrival solution (topic). It teamed up with BII to work out an implementation scheme and study the feasibility, making preparations for business advances and project implementation. Meanwhile, the Group facilitates the building of an information-based TOD production safety platform, providing production safety management for the transformation of the comprehensive transportation hub of Beijing Sub-center railway station into a world-class transportation hub.

The “Intelligent+” successfully acquired 7 projects with a total contract sum of RMB8.23 million in the first half of 2020.

## **R&D AND INNOVATION**

### **Building core competitiveness through increase in R&D investment**

The research expense of the Group amounted to approximately HK\$56.4 million in the period, representing a year-on-year rise of approximately 25.9% and accounting for 10.6% of its first-half revenue. Investment was made in software, systems and product standardisation related with its existing business lines, such as AFC/ACC/TCC/PIS, R&D of utility tunnels, rich communication suite and other technologies, as well as early-stage R&D in the “intelligent +” field.

## **Intelligent rail technology upgrades**

The Group, which concentrates on technology R&D, sorted out passenger information service-related needs and integrated resources in the industrial chain to set up a “demonstration system of intelligent passenger information service” containing an intelligent automatic passenger clearance system, a passenger counter and train compartment density analysis system and a machine learning-based passenger flow prediction system, which covers intelligent mobility services for passengers. This will lay a foundation for future implementation. In the meantime, the Group designed a big data platform for Nanjing Metro Network Command Centre in the first half of 2020. It is China’s first semantic recognition-based data analysis platform in the rail transit sector, which marks the concretisation of its popular data analysis idea. It lays a solid foundation for the utilisation of big data in Nanjing’s rail transit. The “Development and Application of Coordination and Command Platform for Smart Urban Rail Transit Networks” that the Group and its partners submitted for the project was awarded the second prize of the Urban Rail Transit Science and Technology Progress Award by China Association of Metros (中國城市軌道交通協會). Furthermore, the Group’s self-developed on-board rich communication suite platform tackled the problem of in-depth integration of on-board communications system. The platform will be applied in the PIS of intelligent Beijing Subway Line 11.

## **Smart city technologies**

The Group has created an intelligent management platform for utility tunnel V2.0 from using in a confined area to region-level and city-level. Its “intelligent building site management system” that combines with IoT, intelligent terminal, cloud platform, big data and other cutting-edge technologies is designed for personnel and material positioning, video surveillance, personnel communication, etc.. The system has been successfully applied in Beijing Subway Line 11.

## **Innovative solution to combat against pandemic**

In the first six months of 2020, the Group leveraged on its R&D advantage to introduce an “intelligent community entrance-exit safety management system” that enables non-contact temperature check, facial recognition, infrared detection, automatic alarm and so forth to contribute to the fight against the COVID-19 pandemic. The system can effectively improve quarantine efficiency and people’s safety for communities. It has come into use in communities in Maizidian, Beijing. In addition, it has also launched a “statistical reporting system targeting the COVID-19 pandemic” that can be linked to the government’s big data to trace the infected people.

## **Strengthening soft power with intellectual property**

The Group obtained five patent certificates (80 in total) and 17 software copyright certificates (308 in total) in the first half of 2020, which further increases the quantity of related certificates and the quality of patents and enhances its soft power.

## FINANCIAL REVIEW

### Overview

The Group recorded revenue of approximately HK\$530.1 million and gross profit of approximately HK\$222.6 million during the six months ended 30 June 2020, representing a year-on-year increase of approximately 6.9% and 24.8% respectively. Its selling, general and administrative expenses were approximately HK\$98.1 million, representing a year-on-year decline of approximately 3.0%. The net cash outflow from operating activities went down 90.8% year on year to approximately HK\$12.8 million. As at 30 June 2020, the Group's gearing ratio was approximately 43.7%.

### *Analysis of Changes in Major Items in Profit Statement*

	Six months ended 30 June		
	2020 HK\$'000	2019 HK\$'000	Increase (Decrease) (%)
Revenue	<b>530,063</b>	495,953	6.9%
Cost of sales	<b>307,440</b>	317,574	(3.2%)
Gross profit	<b>222,620</b>	178,379	24.8%
Selling, general and administrative expenses	<b>98,138</b>	101,092	(2.9%)
Research and development expenses	<b>56,405</b>	44,796	25.9%
Investment (loss)/gains	<b>(28,308)</b>	3,900	(825.8%)
Profit attributable to equity shareholders of the Company	<b>32,741</b>	59,471	(44.9%)

### Revenue

The Group's revenue mainly comes from intelligent rail transit and infrastructure information businesses. Revenue from intelligent rail transit and infrastructure information in the first half of this year was approximately RMB460.2 million and RMB69.9 million respectively.

Revenue derived from the intelligent rail transit business was approximately HK\$460.2 million in the first half of this year, representing a year-on-year increase of approximately HK\$31.8 million or 7.4%. The increase in revenue of this segment was mainly due to the fact that: (1) Its revenue increased because the revenue of Huaqi Intelligent in January and February and that of Litmus Technologies (Beijing) Co., Ltd.\* (北京樂碼仕智能科技有限公司) ("Litmus") were excluded from the comparative data in the same period last year since they were acquired in March and December 2019, respectively; and (2) except for Huaqi Intelligent and Litmus, the revenue was recognised in this period for projects that had great effect on revenue, such as the Kunming Metro Line 4's AFC project, Hebei Jingche Rail Transit Vehicle Equipment's weak current project and ERP project, and Beijing New Airport's senseless payment project.

Revenue derived from the infrastructure information business amounted to approximately HK\$69.9 million, representing a year-on-year increase of approximately HK\$2.3 million or 3.4%. The increase in revenue of this segment was mainly due to the sustainable development of the civil communication transmission business.

In terms of revenue by region, the Group's first-half operating revenue mainly came from mainland China and Hong Kong. Its first-half operating revenue in mainland China stood at approximately HK\$508.9 million, up approximately HK\$45.6 million from that recorded for the six months ended 30 June 2019. The Group saw a significant growth in revenue in mainland China because it stepped up presence in existing markets while opening up new markets. Meanwhile, its first-half revenue in Hong Kong fell HK\$11.5 million or 35.3% year on year to approximately HK\$21.2 million due to the pandemic.

### **Cost of sales and gross profit**

The Group's cost of sales stood at approximately HK\$307.4 million during the Period, a year-on-year decrease of approximately HK\$10.2 million or 3.2%. It recorded gross profit of HK\$222.6 million, up HK\$44.2 million or 24.8% from a year earlier. The decline in cost of sales and the rise in gross profit are attributed to an increase in the proportion of software used in the intelligent rail transit business and to its efforts to dig deep in infrastructure information service.

### **Selling, general and administrative expenses**

The Group's selling, general and administrative expenses incurred during the Period were approximately HK\$98.1 million, representing a year-on-year drop of HK\$3.0 million or 3.0%. The reason is that the Group strengthened cost management and took measures to reduce cost and improve efficiency. Besides, as online and remote working model was adopted due to the COVID-19 pandemic, expenses for business trips dropped.

### **Research and development expenses**

The Group's research and development expenses incurred during the Period was approximately HK\$56.4 million, representing a year-on-year increase of HK\$11.6 million or 25.9%. The growth is due to its continuous investments in R&D and innovation, which ensures the improvement in its R&D strength and scientific innovation ability.

### **Investment loss/income**

The Group incurred an investment loss of approximately HK\$28.3 million during the Period, versus an investment income of approximately HK\$3.9 million in the same period of 2019. The investment loss was mainly caused by a dramatic drop in fare revenue of its joint venture Beijing Metro amid the COVID-19 outbreak. Beijing Metro recorded approximately HK\$24.6 million, a year-on-year decrease of approximately HK\$30.1 million. Therefore, a negative return occurred.

## Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company was approximately HK\$32.7 million in the period, a year-on-year decrease of approximately HK\$26.8 million or 45.0%.

## Liquidity, financial and capital resources

### *Capital structure*

As of 30 June 2020, the Company issued a total of 2,100,126,727 shares, with HK\$0.01 per ordinary share (as of 31 December 2019: 2,100,126,727 shares issued, with HK\$0.01 per ordinary share).

### *Cash position*

As of 30 June 2020, the Group's cash and bank balances were approximately HK\$747.9 million (31 December 2019: approximately HK\$850.9 million).

### *Bank borrowings and charges on the Group's assets*

As of 30 June 2020, the Group's borrowing was approximately HK\$574.7 million, of which HK\$500 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, BII, and the remaining was bank borrowings amounted to approximately HK\$74.7 million (31 December 2019: approximately HK\$559.9 million). The Group had no charges on its assets as of 30 June 2020 (31 December 2019: Nil).

### *Working capital and gearing ratio*

As of 30 June 2020, the Group had current assets of approximately HK\$2,489.4 million (31 December 2019: approximately HK\$2,505.4 million), while its current liabilities were approximately HK\$1,046.9 million (31 December 2019: approximately HK\$986.9 million), resulting in net current assets of approximately HK\$1,442.5 million (31 December 2019: approximately HK\$1,518.5 million). As of 30 June 2020, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.4 (31 December 2019: approximately 2.5).

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period multiplied by 100%. As of 30 June 2020, the Group's gearing ratio was 43.7% (31 December 2019: approximately 43.7%).

### *Cash flow*

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash used in operating activities	(12,762)	(138,047)
Net cash used in investing activities	(78,783)	(189,277)
Net cash used in financing activities	(4,777)	(457,014)
Net decrease in cash and cash equivalents	<u>(96,322)</u>	<u>(784,338)</u>

The Group's net cash outflow from operating activities stood at approximately HK\$12.8 million during the Period, a year-on-year decline of approximately HK\$125.2 million or 90.8% from HK\$1.38 million recorded in the same period of 2019. The net cash flow from operating activities improved as the Group tightened payment collection management, prioritised payments and formulated a reasonable plan for cash flow from operating activities. Cash used in investing activities was approximately HK\$78.8 million, which was mainly the third consideration of approximately HK\$71.9 million paid to NetPosa Technologies for the acquisition of Huaqi Intelligent. Cash used in financing activities was approximately HK\$4.8 million, which was mainly Huaqi Intelligent's net borrowing of approximately HK\$15.4 million from banks. It paid an interest of approximately HK\$13.0 million on the money borrowed by BII.

### **Contingent liabilities**

As of 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

### **Interim dividend**

The Board proposed no interim dividend for the six months ended 30 June 2020 (six months ended 30 June, 2019: Nil) The Group will retain cash to fund its business development and grasp future investment opportunities.

### **Employees and remuneration policies**

As of 30 June 2020, the Group employed a total of 903 employees (30 June 2019: 751). The total staff costs (including directors' remuneration) were approximately HK\$129.3 million as of 30 June 2020.

The Group reviews its remuneration package annually with reference to the prevailing market conditions and staff's working performance, and adjusts employees' wages according to their qualification and rank. In addition to basic remuneration, the Group also pays bonus based on its performance and staff's contribution to the Group. Other benefits include share options, contribution to social insurance scheme, supplementary medical insurance and provident fund in mainland China, contribution to the Mandatory Provident Fund scheme and insurances in Hong Kong. The Group also organises professional and vocational trainings for its employees.

### **INVESTMENT PROJECTS MADE DURING H1 2020**

BII Zhongfu Technology Company Limited\* (京投眾甫科技有限公司) ("BII Zhongfu"), the Group's wholly-owned subsidiary, and Beijing ASU Tech established Beijing Cornerstone Yuanjing Digital Technology Co., Ltd. (北京基石遠景數字科技有限公司) on 12 May 2020, with the registered capital of RMB10 million. BII Zhongfu owns a 51% stake while Beijing ASU Tech has a 49% stake.

The Group's subsidiary, Huaqi Intelligent, set up Tianjin Wuyang Zhitong Intelligent Technology Co., Ltd. (天津五洋智通智慧科技有限公司) with Tianjin Tengqi Corporate Management Partnership (Limited Partnership) (天津騰啟企業管理合夥企業(有限合夥)) on 20 May 2020. The new company has a registered capital of RMB10 million and its equity interest is held by Huaqi Intelligent as to 49%.

BII Zhongfu completed a capital injection of RMB30 million into the Company's indirectly wholly-owned subsidiary, BII Transportation Technology (Beijing) Co., Ltd.\*(北京京投億雅捷交通科技有限公司) in cash in June 2020, increasing the registered capital of BII ERG to RMB130 million.

As at 30 June 2020, the Group held a wealth management product of HK\$170.8 million, for which the financial institution as the issuer offered capital protection with variable return.

## **SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS**

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Company and Beijing Subway Operation Co., Ltd.\*(北京市地鐵運營有限公司) as to 49% and 51%, respectively. Its registered capital was RMB500 million. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the operating income rights of Beijing Subway Airport Express, Dongzhimen Terminal and new lines of the Beijing Subway.

Beijing Metro is a private company whose quoted market price is not available. As of 30 June 2020, the carrying amount of Beijing Metro in the Group's consolidated financial statements calculated by equity method is approximately HK\$301.1 million, accounting for approximately 7.6% of the Group's total assets as of 30 June 2020. The Group's share of loss from Beijing Metro was approximately HK\$24.6 million in the first half of 2020, mainly attributable to the diversion by the new Daxing Airport Express and the pandemic, the significant drop of passenger flow of Beijing Metro during the first half of 2020, the rises of labour costs and repair and maintenance costs year by year, ineffective cost sharing for the single line operation. The Company did not receive any realised or unrealised gain or loss or any dividends from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funds and operation needs of Beijing Metro.

Save as disclosed, there were no other significant investments, material acquisitions or disposals of subsidiaries and associates, and other plans for material investments or capital assets for the six months ended 30 June 2020.

## **PROSPECTS**

2020 is a year with dramatic changes. The Group, as a player in the rail transit sector, faces heavier anti-epidemic pressure and shoulders social responsibilities, is trying to get an insight over the pandemic's impacts on the informatisation of the rail transit industry and making changes and adjustments.

The Group will remain focused on the intelligent rail transit and infrastructure information businesses. Efforts will be made to perfect the strategic investment platform centring on industrial upgrading and market value appreciation and to build a big data centre with core technological competitiveness. It will continue improving its main businesses' competitive advantage in technology and seeking rapid development driven by "investment + innovation".

With priorities given to delivery of ongoing projects and market expansion, the Group will seize the burgeoning opportunity arising from digitisation and intelligentisation of rail transit in China to concentrate on the intelligent subway business, promote innovation of intelligent subway products, strengthen the innovation in the fields of 5G, big data, cloud computing, AI and IoT, and step up efforts on productisation. It will participate in the establishment of an intelligent rail transit platform in Beijing, assist in the building of a technology centre and provide full-cycle application analysis and operation and maintenance service, with a view to improving its technical strength and further expanding its businesses nationwide.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has devised its own code of conduct for securities transactions regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 2020. No incident of non-compliance with the Securities Dealing Code by the employees was noted by the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee were adopted in compliance with code provisions C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee, among other things, are to (i) make recommendations to the Board on the scope of audit and appointment, re-appointment and removal of external auditor; (ii) review the financial statements and material advice in respect of financial reporting; (iii) oversee internal control and risk management systems of the Company; and (iv) review the effectiveness of the internal audit function and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As at 30 June 2020, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The interim financial information is unaudited, but has been reviewed by KPMG, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*" issued by the Hong Kong Institute of Certified Public Accountants.

In addition, the Audit Committee has also reviewed the interim financial information of the Group for the six months ended 30 June 2020 and had discussed with the management of the Company and KPMG, including the review of the accounting principles and practices adopted by the Group, and is of the opinion that such financial information complies with applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board considers that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2020.

## **EVENT DURING THE PERIOD FROM 30 JUNE 2020**

As approved at the 2020 annual general meeting and considered and approved at a subsequent Board meeting, the Company cumulatively repurchased a total of 2.98 million shares of the Company during the period from 16 July to 24 July 2020.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.biitt.cn](http://www.biitt.cn)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 interim report of the Company will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**BII Railway Transportation Technology Holdings Company Limited**  
**Xuan Jing**  
*Executive Director*  
*Chief Executive Officer*

Hong Kong, 28 August 2020

*As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi and Mr. Ren Yuhang; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.*

\* *For identification purposes only*