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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 2019**

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 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited

(Expressed in Hong Kong dollars (“HK\$”))

	Note	Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000 (Note)
<b>Revenue</b>	4	<b>495,953</b>	137,161
Cost of sales		<b>(317,574)</b>	(99,863)
<b>Gross profit</b>		<b>178,379</b>	37,298
Other income		<b>37,152</b>	18,777
Net foreign exchange gain/(loss)		<b>14,085</b>	(1,278)
Selling, general and administrative expenses		<b>(91,713)</b>	(23,550)
Research expenses		<b>(44,796)</b>	(18,908)
Impairment losses		<b>(9,379)</b>	–
<b>Profit from operations</b>		<b>83,728</b>	12,339
Finance costs	5(a)	<b>(13,413)</b>	–
Share of profits of joint ventures and associates		<b>3,900</b>	3,728
Fair value change in contingent consideration	5(c)	<b>(2,400)</b>	–
<b>Profit before taxation</b>	5	<b>71,815</b>	16,067
Income tax	6	<b>(9,751)</b>	3,346
<b>Profit for the period</b>		<b>62,064</b>	19,413
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>59,471</b>	19,323
Non-controlling interests		<b>2,593</b>	90
<b>Profit for the period</b>		<b>62,064</b>	19,413
<b>Earnings per share</b>			
– Basic (HK\$)	7	<b>0.0283</b>	0.0092
– Diluted (HK\$)	7	<b>0.0283</b>	0.0092

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

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

*For the six months ended 30 June 2019 – unaudited*

*(Expressed in HK\$)*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
		<i>(Note)</i>
<b>Profit for the period</b>	<b>62,064</b>	19,413
<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>(19,536)</u>	<u>(6,166)</u>
<b>Total comprehensive income for the period</b>	<b><u>42,528</u></b>	<b><u>13,247</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>35,571</b>	13,410
Non-controlling interests	<u>6,957</u>	<u>(163)</u>
<b>Total comprehensive income for the period</b>	<b><u>42,528</u></b>	<b><u>13,247</u></b>

*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited

(Expressed in HK\$)

	<i>Note</i>	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000 (Note)
<b>Non-current assets</b>			
Property, plant and equipment		149,261	107,415
Intangible assets		248,376	101,438
Goodwill		631,900	62,389
Interests in joint ventures and associates		432,143	413,466
Deferred tax assets		29,040	18,704
		<u>1,490,720</u>	<u>703,412</u>
<b>Current assets</b>			
Other financial assets		143,458	74,983
Inventories and other contract costs		454,087	79,027
Contract assets	8(a)	441,585	326,726
Trade and other receivables	9	649,981	789,723
Cash on hand and in bank		304,934	1,069,561
		<u>1,994,045</u>	<u>2,340,020</u>
<b>Current liabilities</b>			
Trade and other payables	10	752,401	394,444
Contract liabilities	8(b)	54,860	66,045
Lease liabilities	3(c)	7,130	–
Loans from a related party		–	342,388
Bank loans	11	58,083	–
Current taxation		21,801	24,887
Deferred income		3,428	–
Provision for warranties		6,295	–
Contingent consideration		81,489	–
		<u>985,487</u>	<u>827,764</u>

	<i>Note</i>	<b>At 30 June 2019 HK\$'000</b>	<b>At 31 December 2018 HK\$'000 (Note)</b>
<b>Net current assets</b>		<u>1,008,558</u>	<u>1,512,256</u>
<b>Total assets less current liabilities</b>		<u><u>2,499,278</u></u>	<u><u>2,215,668</u></u>
<b>Non-current liabilities</b>			
Lease liabilities	3(c)	10,574	–
Deferred tax liabilities		54,737	18,016
Provision for warranties		1,727	–
Contingent consideration		<u>200,052</u>	–
		<u>267,090</u>	<u>18,106</u>
<b>NET ASSETS</b>		<u><u>2,232,188</u></u>	<u><u>2,197,652</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		21,001	21,001
Reserves		<u>2,161,906</u>	<u>2,147,809</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>2,182,907</u>	2,168,810
<b>Non-controlling interests</b>		<u>49,281</u>	<u>28,842</u>
<b>TOTAL EQUITY</b>		<u><u>2,232,188</u></u>	<u><u>2,197,652</u></u>

*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – 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 2018</b>	21,048	1,857,566	30,760	25,178	(28,368)	274,554	2,180,738	18,414	2,199,152
<b>Changes in equity for the six months ended 30 June 2018:</b>									
Profit for the period	-	-	-	-	-	19,323	19,323	90	19,413
Other comprehensive income	-	-	-	-	(5,913)	-	(5,913)	(253)	(6,166)
Total comprehensive income	-	-	-	-	(5,913)	19,323	13,410	(163)	13,247
Appropriation to reserves	-	-	-	1,203	-	(1,203)	-	-	-
Dividends declared in respect of the previous year (Note 12(b))	-	(21,048)	-	-	-	-	(21,048)	-	(21,048)
	-	(21,048)	-	1,203	-	(1,203)	(21,048)	-	(21,048)
<b>Balance at 30 June 2018</b>	<b>21,048</b>	<b>1,836,518</b>	<b>30,760</b>	<b>26,381</b>	<b>(34,281)</b>	<b>292,674</b>	<b>2,173,100</b>	<b>18,251</b>	<b>2,191,351</b>

Attributable to equity shareholders of the Company

	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Treasury share reserve	Retained profits	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 July 2018</b>	21,048	1,836,518	30,760	26,381	(34,281)	-	292,674	2,173,100	18,251	2,191,351
<b>Changes in equity for the six months ended 31 December 2018:</b>										
Profit for the period	-	-	-	-	-	-	28,075	28,075	5,840	33,915
Other comprehensive income	-	-	-	-	(30,044)	-	-	(30,044)	(929)	(30,973)
Total comprehensive income	-	-	-	-	(30,044)	-	28,075	(1,969)	4,911	2,942
Capital injection by non- controlling shareholders of subsidiaries of the Group	-	-	-	-	-	-	-	-	5,680	5,680
Purchase of own shares	-	-	-	-	-	(2,321)	-	(2,321)	-	(2,321)
Cancellation of shares	(47)	(2,274)	-	-	-	2,321	-	-	-	-
Appropriation to reserves	-	-	-	3,172	-	-	(3,172)	-	-	-
	(47)	(2,274)	-	3,172	-	-	(3,172)	(2,321)	5,680	3,359
<b>Balance at 31 December 2018 (Note)</b>	<u>21,001</u>	<u>1,834,244</u>	<u>30,760</u>	<u>29,553</u>	<u>(64,325)</u>	<u>-</u>	<u>317,577</u>	<u>2,168,810</u>	<u>28,842</u>	<u>2,197,652</u>

*Note:* The Group has initially IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

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
<b>Changes in equity for the six months ended 30 June 2019:</b>									
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 declared in respect of the previous year ( <i>Note 12(b)</i> )	-	(21,001)	-	-	-	-	(21,001)	-	(21,001)
Acquisition of non-controlling interests	-	-	(473)	-	-	-	(473)	(21,251)	(21,724)
Acquisition of a subsidiary	-	-	-	-	-	-	-	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 2019 – unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000 (Note)
<b>Operating activities</b>		
Cash (used in)/generated from operations	(130,539)	41,068
Interest income received	13,601	11,178
Income tax paid	(21,109)	(8,093)
<b>Net cash (used in)/generated from operating activities</b>	<b>(138,047)</b>	<b>44,153</b>
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment and intangible assets	(9,188)	(5,551)
Proceeds from disposal of property, plant and equipment	5	691
Capital contribution to a joint venture	(8,685)	–
Dividends received	3,093	–
Net payments for debt investments	(70,056)	(61,055)
Net payment for acquisition of a subsidiary	(803,788)	–
Payment for acquisition of non-controlling interests of a subsidiary	(21,724)	–
Repayment of acquisition earnest deposit	482,790	–
Interest income received due from acquisition earnest deposit	14,870	–
Repayment of cash advances due from NetPosa Technologies Limited (“NetPosa”)	223,406	–
<b>Net cash used in investing activities</b>	<b>(189,277)</b>	<b>(65,915)</b>

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note)</i>
<b>Financing activities</b>		
Proceeds from bank loans	<b>6,813</b>	–
Repayment of bank loans	<b>(97,060)</b>	–
Repayment of loans due to a related party	<b>(346,500)</b>	–
Capital element of lease rentals paid	<b>(5,363)</b>	–
Interest element of lease rentals paid	<b>(184)</b>	–
Interest paid to banks	<b>(2,301)</b>	–
Interest paid to a related party	<b>(12,419)</b>	–
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(457,014)</b>	–
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net decrease in cash and cash equivalents</b>	<b>(784,338)</b>	(21,762)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,053,269</b>	1,128,780
<b>Effect of foreign exchange rate changes</b>	<b>(796)</b>	(969)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>268,135</b>	1,106,049
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*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 was 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 2019 comprises the 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, design, implementation and sale of related software, hardware and spare parts in underground pipe gallery areas, and the investment in the railway transportation areas through investing in equity.

## 2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 (the “IASB”). It was authorised for issue on 27 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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 2018 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.

### 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new International Financial Reporting Standards (“IFRSs”), IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the other 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### **IFRS 16, Leases**

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### **(a) Changes in accounting policies**

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

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) *Transitional impact*

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<i>HK\$'000</i>
Operating lease commitments at 31 December 2018	10,518
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	<u>(5,453)</u>
	5,065
Less: total future interest expenses	<u>(208)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	<u>4,857</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in “Property, plant and equipment” and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group’s consolidated statement of financial position:

	<b>Carrying amount at 31 December 2018</b>	<b>Capitalisation of operating lease contracts</b>	<b>Carrying amount at 1 January 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:</b>			
Property, plant and equipment	107,415	4,857	112,272
<b>Total non-current assets</b>	<b>703,412</b>	<b>4,857</b>	<b>708,269</b>
Lease liabilities (current)	–	3,157	3,157
<b>Current liabilities</b>	<b>827,764</b>	<b>3,157</b>	<b>830,921</b>
<b>Net current assets</b>	<b>1,512,256</b>	<b>(3,157)</b>	<b>1,509,099</b>
<b>Total assets less current liabilities</b>	<b>2,215,668</b>	<b>1,700</b>	<b>2,217,368</b>
Lease liabilities (non-current)	–	1,700	1,700
<b>Total non-current liabilities</b>	<b>18,106</b>	<b>1,700</b>	<b>19,806</b>
<b>Net assets</b>	<b>2,197,652</b>	<b>–</b>	<b>2,197,652</b>

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	<b>At 30 June 2019 HK\$'000</b>	At 1 January 2019 HK\$'000
Included in "Property, plant and equipment":		
– Properties leased for own use, carried at depreciated cost	<b><u>21,186</u></b>	<b><u>4,857</u></b>

(c) **Lease liabilities**

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	<b>At 30 June 2019</b>		<b>At 1 January 2019</b>	
	<b>Present value of the minimum lease payments HK\$'000</b>	<b>Total minimum lease payments HK\$'000</b>	<b>Present value of the minimum lease payments HK\$'000</b>	<b>Total minimum lease payments HK\$'000</b>
Within 1 year	7,130	7,399	3,157	3,245
After 1 year but within 2 years	4,032	4,427	1,700	1,820
After 2 years but within 5 years	6,542	7,761	–	–
	<u>10,574</u>	<u>12,188</u>	<u>1,700</u>	<u>1,820</u>
	<b><u>17,704</u></b>	<b><u>19,587</u></b>	<b><u>4,857</u></b>	<b><u>5,065</u></b>
Less: total future interest expenses		<u>(1,883)</u>		<u>(208)</u>
Present value of lease liabilities		<b><u>17,704</u></b>		<b><u>4,857</u></b>

(d) **Impact on the financial results, segment results and cash flows of the Group**

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

## 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:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major service lines		
– Revenue from intelligent railway transportation services	428,368	68,115
– Revenue from infrastructure information services	67,585	69,046
	<u>495,953</u>	<u>137,161</u>
Disaggregated by geographical location of customers		
– Mainland China	463,287	121,605
– Hong Kong	32,666	15,556
	<u>495,953</u>	<u>137,161</u>

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. For the six months ended 30 June 2019 the Group has expanded its business in highway and underground pipe gallery and decided to change "Civil communication transmission" as previously reported for the year ended 31 December 2018 to "Infrastructure information" and incorporate these new business lines into this segment. As a result, 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 underground pipe gallery 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 costs 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 2019 and 2018. The Group's other income and expense items, such as other income, net foreign exchange gain/(loss), selling, general and administrative expenses, research expenses, impairment losses and finance costs, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure and interest income 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 2019 and 2018 is set out below.

	Six months ended 30 June 2019			Total HK\$'000
	Intelligent railway transportation HK\$'000	Infrastructure information HK\$'000	Business development investment HK\$'000	
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	356,329	9,159	–	366,488
Over time	72,039	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 profits of joint ventures and associates	<u>–</u>	<u>–</u>	<u>3,900</u>	<u>3,900</u>

	Six months ended 30 June 2018			
	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	20,022	–	–	20,022
Over time	48,093	69,046	–	117,139
Revenue from external customers and reportable segment revenue	<u>68,115</u>	<u>69,046</u>	<u>–</u>	<u>137,161</u>
Reportable segment gross profit	<u>12,045</u>	<u>25,253</u>	<u>–</u>	<u>37,298</u>
Share of profits of joint ventures and an associate	<u>–</u>	<u>–</u>	<u>3,728</u>	<u>3,728</u>
<b>(ii) Reconciliations of reportable segment profit or loss</b>				

	Six months ended 30 June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Reportable segment gross profit	<b>178,379</b>	37,298
Share of profits of joint ventures and associates	<b>3,900</b>	3,728
Other income	<b>37,152</b>	18,777
Net foreign exchange gain/(loss)	<b>14,085</b>	(1,278)
Selling, general and administrative expenses	<b>(91,713)</b>	(23,550)
Research expenses	<b>(44,796)</b>	(18,908)
Impairment losses	<b>(9,379)</b>	–
Fair value change in contingent consideration	<b>(2,400)</b>	–
Finance costs	<b>(13,413)</b>	–
Profit before taxation	<u><b>71,815</b></u>	<u>16,067</u>

## 5 PROFIT BEFORE TAXATION

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

### (a) Finance costs:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank loans	1,679	–
Interests on loans due to a related party	11,550	–
Interest on lease liabilities	184	–
	<b>13,413</b>	<b>–</b>

### (b) Staff costs:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefits	103,467	41,945
Contributions to defined retirement plans	7,729	4,890
Employee cost related to cash-settled share-based transactions	207	–
	<b>111,403</b>	<b>46,835</b>

### (c) Other items:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note)</i>
Depreciation and amortisation		
– owned property, plant and equipment and intangible assets	25,007	23,850
– right-of-use assets	1,927	–
Operating lease charges in respect of office premises	4,462	4,135
Interest income	(24,302)	(11,178)
Investment income	(729)	(2,772)
Government grants	(11,795)	(2,970)
Reversal of impairment losses of trade and other receivables and contract assets	(596)	–
Fair value change of debt investments	–	(1,372)
Net foreign exchange (gain)/loss	(14,085)	1,278
Fair value change in contingent consideration	2,400	–
Net loss/(gain) on disposal of property, plant and equipment	67	(517)
Inventory write-down and losses net of reversals	9,975	–

*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## 6 INCOME TAX

	<u>Six months ended 30 June</u>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current taxation:</b>		
– Hong Kong Profits Tax ( <i>Note (i)</i> )	<b>995</b>	284
– PRC Corporate Income Tax ( <i>Notes (ii), (iii) &amp; (iv)</i> )	<b>16,388</b>	5,380
	<u>17,383</u>	<u>5,664</u>
	-----	-----
<b>Deferred taxation:</b>		
– Origination and reversal of temporary differences	<b>(7,632)</b>	(5,127)
– Change in tax rate	–	(3,883)
	<u>(7,632)</u>	<u>(9,010)</u>
	-----	-----
	<b>9,751</b>	<b>(3,346)</b>
	<u>9,751</u>	<u>(3,346)</u>

### Notes:

- (i) The Company and certain 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 2019 (six months ended 30 June 2018: 16.5%).
- (ii) The subsidiaries of the Group established in the People’s Republic of China (“PRC”) (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).
- (iii) Certain subsidiaries of the Group enjoyed a preferential PRC Corporate Income Tax rate of 15% (six months ended 30 June 2018: 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 (six months ended 30 June 2018: 50%).
- (iv) Pursuant to a certificate issued by Jiangsu Software Industry Association (“JSSIA”) dated on 23 May 2019, a subsidiary of the Group was designated as a software enterprise. As such, this subsidiary was entitled to a two years’ exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction with effect from 2019. As a result, this subsidiary enjoyed an exemption from PRC Corporate Income Tax for the six months ended 30 June 2019 (six months ended 30 June 2018: not applicable).

## 7 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	<u>Six months ended 30 June</u>	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Profit attributable to owners of the Company</b>		
Profit for the purpose of basic earnings per share	<u>59,471</u>	<u>19,323</u>
	<i>'000 shares</i>	<i>'000 shares</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,100,127</u>	<u>2,104,787</u>

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2019 and 2018. Therefore, there was no difference between basic and diluted earnings per share.

## 8 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	At 30 June 2019 <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
<b>Contract assets</b>		
Arising from performance under contracts with customers	451,879	335,441
Less: loss allowance	<u>(10,294)</u>	<u>(8,715)</u>
	<u>441,585</u>	<u>326,726</u>

### (b) Contract liabilities

	At 30 June 2019 <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
<b>Contract liabilities</b>		
Service contracts		
– Billings in advance of performance	<u>54,860</u>	<u>66,045</u>

## 9 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Trade receivables due from ( <i>Note 9(a)</i> ):		
– third parties	438,780	228,208
– affiliates of an equity shareholder of the Company	30,490	28,376
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	–	22,182
– an associate of the Group	2,875	–
Bills receivable	97,539	–
	<u>569,684</u>	<u>278,766</u>
Amounts due from related parties ( <i>Note 9(b)</i> ):		
– equity shareholders of the Company and their affiliates	255	215
– a joint venture of the Group	3,921	1,141
– an affiliate of an equity holder of the non-controlling equity holder of a subsidiary of the Group	–	1,826
	<u>4,176</u>	<u>3,182</u>
Less: loss allowance	(17,447)	(10,554)
Prepayments, deposits and other receivables	93,568	41,269
Earnest deposit for acquisition	–	477,060
	<u>649,981</u>	<u>789,723</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 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 1 year	467,513	191,232
Over 1 year	102,171	87,534
	<u>569,684</u>	<u>278,766</u>

The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Credit terms of 30 days may be granted to certain customers for progress billings. In accordance with general industry practices, one to three years may be granted to customers for retention receivables.

The Directors confirm that the above trade receivables are generally parts of larger scale projects undertaken by the owners, which are usually ultimately controlled by municipal governments, and consider it general practice within the infrastructure industry in the PRC in which the owners will usually settle payment to the contractors, such as the Group, upon completion of the large scale projects. The Directors confirm that they are in negotiations with various owners and expect a substantial portion of the above trade receivables to be settled within one year.

**(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>2019</b> <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
Trade payables due to ( <i>Note 10</i> )		
– third parties	525,667	301,797
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	–	236
– a joint venture of the Group	3,010	2,377
– an associate of the Group	1,489	–
Bills payable ( <i>Note 10</i> )	<u>123,575</u>	<u>20,071</u>
	<b>653,741</b>	324,481
Amounts due to an affiliate of an equity shareholder of the Company	2,684	240
Accrued expenses and other payables	<u>86,165</u>	<u>46,161</u>
Financial liabilities measured at amortised cost	742,590	370,882
Other taxes payables	<u>9,811</u>	<u>23,562</u>
	<b><u>752,401</u></b>	<b><u>394,444</u></b>

At 30 June 2019, 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>2019</b> <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
Due within 6 months or on demand	638,217	324,481
Due after 6 months but within 1 year	<u>15,524</u>	–
	<b><u>653,741</u></b>	<b><u>324,481</u></b>

## 11 BANK LOANS

	At 30 June 2019 <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
Guaranteed and unsecured ( <i>Note(i)</i> )	34,211	–
Unguaranteed and unsecured ( <i>Note(ii)</i> )	23,872	–
	<u>58,083</u>	<u>–</u>

### Notes:

- (i) As at 30 June 2019, 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 2019, none of the covenants relating to the drawn down facilities has been breached.

## 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 2019 (six months ended 30 June 2018: HK\$Nil).

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$1 cents (2018: HK\$1 cents) per ordinary share	<u>21,001</u>	<u>21,048</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

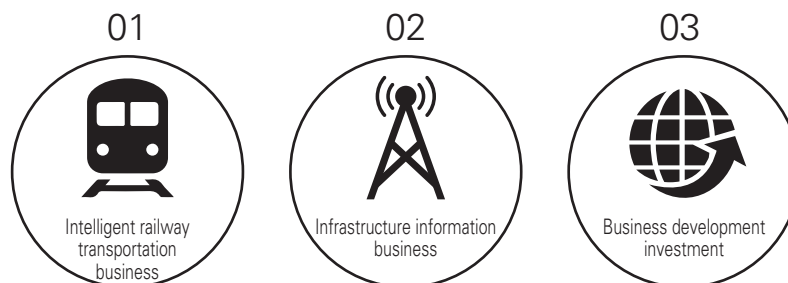
**The development of railway transportation in China has entered its peak.** According to information from the China Association of Metros (中國城市軌道交通協會), as of 30 June 2019, Mainland China had in total 6,126.82 kilometres city railway transportation lines operating in 37 cities with the addition of Wenzhou and Jinan as cities with railway transport operations; the length of newly added operating lines was 365.32 kilometres with addition of 12 operating lines. It is expected that there will be an addition of 2 to 3 cities with railway transport operations in the second half of 2019, with additional length of operating lines of approximately 600 kilometres. According to the information reported by the Rail Transit Net, the investment in domestic railway fixed assets for the first half year amounted to approximately RMB322.01 billion, representing 40% of the annual investment amount of approximately RMB800 billion. As investment of approximately RMB478 billion would need to be achieved for the second half of the year, investment in railway may represent an increasing trend. For the first half year of 2019, the total passenger flow of Beijing railway transportation network was approximately 1.913 billion, representing an increase of 0.075 billion or 4.08% as compared to approximately 1.838 billion in the corresponding period last year, and the average daily passenger flow reached approximately 10.6 million.

**Achieving the progressive target of strategic planning.** The year of 2019 marks the fourth year of the implementation of China's "13th Five-Year Plan", and the first year for the Group to clearly deploy its development strategy of "New Journey and remodel 2021", by taking "energise the railway transportation by intelligent technology" as the Group's mission and "one body, one platform, one centre" as the mindset of the overall strategic development. Through putting more effort in self-development and technology innovation, continuing to enlarge and professionalise the principle business based on the railway transportation intelligent system, adhering to the new development direction of "three transformation models" of 北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.) ("BII"), participating proactively in the construction of the intelligent railway transportation platform in Beijing, speeding up the construction of the big data centre and technology centre, the Group further implemented the requirement and target of the Beijing municipal government towards commencement of 5G construction, made investment targeted at the industry chain of railway transportation intelligent system and acquired premium corporates, developing a business layout of "giving priority to intelligent railway transportation services and infrastructure information services and supplementing with new business development through joint ventures and partnership". Currently, the Groups' business covers over 40 overseas and domestic cities including Beijing, Hong Kong, Shenzhen, Chengdu, Zhengzhou, Hefei, Nanjing, Hangzhou, Suzhou, Nantong, Kunming and Mumbai. In the first half of 2019, the Group's profit for the period was approximately HK\$62.064 million, an increase of approximately 220% as compared to the same for the corresponding period last year.

## BUSINESS REVIEW

### (1) Business layout

In the first half of 2019, the Group's businesses mainly focused on three business segments: 1. intelligent railway transportation business; 2. infrastructure information business; 3. business development investment.



#### *Intelligent railway transportation business*

In the first half of 2019, the Group adhered to the marketing strategy of “anchoring in Beijing and Hong Kong, extending throughout the nation and entering the international market” to speed up a leaping growth.

**The Group's business in Beijing continues to develop steadily with mature technology and extensive experiences.** In the first half of 2019, the Group's intelligent railway transportation business grew rapidly and the business in Beijing continued to develop steadily with the Group's mature technology and extensive experiences. Apart from the smooth completion of Automatic Fare Collection System (“AFC”) renovation project for line S2 and other projects, the Group has successively awarded several new projects, such as the AFC equipment procurement project of Beijing railway transportation Line 12 with a bid price of approximately RMB0.11 billion, and the project on connecting new lines into the information centre system of the Beijing Railway Transportation Command Centre with a bid price of approximately RMB30 million.

**Premium projects facilitated business expansion and the expansion towards market outside Beijing has achieved significant result.** With the basis of the creation of quality product in Beijing, the Group exported “Beijing products + Beijing services”. In the first half of 2019, the Group has forwarded effectively ongoing projects, including Zhengzhou Automatic Fare Collection Network Control (“ANCC”) Centre project, and successively awarded the AFC procurement project of the railway transportation Line 4 of Kunming City with a bid price of approximately RMB125.24 million, the slow-traffic system perfection project of the First Ring of Luyang district in Hefei City with a project sum of approximately RMB52.76 million and the on-board Passenger Information System (“PIS”) project for Line 5, phase 2 of Line 6, Line 7 and phase 1 of Line 8 of the Hangzhou Metro with the aggregated project amount of approximately RMB0.124 billion. The Group was also awarded various projects including the passenger information system for 350km/h standardised electric multiple units and 350km/h standardised electric multiple units with high temperature resistance.

**Stepping into the international market and achieving breakthrough in the overseas market expansion.** In the first half of 2019, the Group was newly awarded the on-board PIS system project for the Line 2 and Line 7 of Mumbai railway in India with a bid price of approximately RMB62.08 million.

#### *Infrastructure information business*

**Automatically invested in and constructed the new Airport Line of the Beijing Subway, the first domestic subway line with full coverage of 5G system by all mobile service providers along with the construction of its track.** With the year of 2019 marking China's commencement of commercial use of 5G, the civil communication business will also enter the "generation of 5G". It is expected that the transmission system of the new Airport Line invested and constructed by the Group, which equipped with 5G transmission capability, will commence service simultaneously with the railway line at the end of September. Upon its completion, the new Airport Line will become the first domestic subway line with full coverage of 5G system by all mobile service providers along with the construction of its track, realising the Group's comprehensive coverage in 2G, 3G, 4G and 5G. Meanwhile, the completion of interconnection and interoperability of fibre optics for 19 lines and the comprehensive review and analysis on the condition of the existing 197 engine rooms have consolidated the foundation for expansion into the lease market for fibre optics transmission systems.

**Completion of the leading intelligent management platform for the utility tunnel in China, the Beijing Expo Utility Tunnel.** The Group took the strategic transformation and upgrade of BII as opportunity and adopted new initiative in the utility tunnel segment by proactively exploring and enhancing the core competitiveness of the existing utility tunnel products, which developed the competitive edge of integrating construction, operation and maintenance. In May 2019, the Group was consecutively awarded several utility tunnel projects, which are the peripheral supporting facilities of the Winter Olympics Yanqing Race District and the aggregated bid price was approximately RMB28.77 million. The intelligent management platform for the operation and maintenance of utility tunnel, which was self-developed by the Group with its independent intellectual property rights, had commenced service at the Beijing World Expo. It is an intelligent management platform for the operation and maintenance of utility tunnel with leading technology that put into practical use in China, representing a successful step in expansion of business in the operation and maintenance of utility tunnel and the integrated surveillance segment.

#### *Business development investment*

In order to speed up the development of new business, form a model for overall industrial chain, grasp the trend of intelligent railway transportation industry and select better target, the Group strived to develop itself as a professional strategic investment control platform through equity investment, joint ventures and partnerships while actively deploying segments like subway operation, maintenance and repair, mobile payment, so as to create more revenue for the shareholders.

### *Subway operation*

In the first half of 2019, the passenger traffic of the Beijing Metro Airport Express operated by 北京京城地鐵有限公司 (Beijing Metro Co., Ltd.) (“Beijing Metro”) has surpassed 6 million, with daily average passenger traffic of 34 thousand for the six months ended 30 June 2019, representing an increase of 4.81% as compared to the same for the corresponding period in 2018. Its operating revenue and net profit have increased significantly and business outside Beijing has been proactively expanded.

### *Repair and maintenance*

北京地鐵科技發展有限公司 (Beijing Metro Science and Technology Development Co., Ltd.) (“Metro Science and Technology”) relied on the professional AFC maintenance and repair business and took Beijing Metro Airport Express as pilot to progressively build a model of integrated maintenance and repair. Its operating results have shown an increasing trend.

### *Mobile payment*

The number of the registered users of the software of Beijing Railway Transportation Online Ticket Service Platform developed by 北京如易行科技有限公司 (Beijing Ruyi Technology Co., Ltd.) (“Ruyi”) has surpassed 16 million and the number of daily active users has reached 2 million. On 29 April 2019, the Easy Pass APP has been officially renamed as Ruubypay APP, which has provided an “easy and convenient” mode of city railway transportation mobile payment to 0.598 billion users since its commencement.

### *Industry fund*

In the first half of 2019, the Group proactively explored new projects through 保定基石連盈創業投資基金中心(有限合夥) (Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)) (“Cornerstone Lianying”) and strictly selected the investment target in order to develop premium enterprise and further enrich the Group’s business segments.

## **(2) Innovation in research and development**

### ***Increase investment in research and development to ensure continuous enhancement of the core competitiveness***

The technological innovation motivates industry upgrade and gather new momentum to foster the sustainable development of the enterprise. In the first half of 2019, the total investment of the Group in research and development amounted to approximately HK\$44.80 million, representing a significant increase of approximately 137% as compared to the corresponding period last year. The proportion of investment in research and development accounted for more than 9% of the operation revenue of the first half of the year, ensuring the strength of the Group in enhancing its research and development and core competitiveness.

***Keep up with the innovative research and development of intelligent subway to expedite fruitful results***

The Group has actively engaged in setting up the Beijing Railway Transit Intelligent Technology Research Institute and take the AFC cloud structure, unified big data access platform, intelligent railway, on-board integrated platform control, intelligent passenger service platform based on the overall chain traffic as the research direction. Closely combining the results from technological innovation and the implementation of existing projects has been thoroughly reflected in the projects completed by the Group in the first half of 2019, including the ANCC system for the Zhengzhou Metro, new airport expressway non-inductive payment, Beijing Expo Utility Tunnel and the unmanned passenger information system equipped with two-factor recognition of Safety Integrity Level 2 by China National Accreditation Service for Conformity Assessment and Deutsche Akkreditierungsstelle GmbH.

***Place emphasis on intelligence property rights to enhance the soft power of the enterprise***

In the first half of 2019, the Group obtained 5 new patent certificates (accumulating to 67 in total) and 26 software copyright certificates (accumulating to 239 in total), further enhancing the number and quality of the intellectual property rights of the Group as well as the soft power of the enterprise.

**(3) Investment, financing and capital operation**

The development of the enterprise is closely related to capital as the driving force and in recent years, the Group has progressively improved its capability of managing capital operation and achieved effective business development with continuous capital support.

***Strategic acquisition of Huaqi Intelligent***

Upon the completion of acquisition of 蘇州華啟智能科技有限公司 (Suzhou Huaqi Intelligent Technology Co., Ltd.) (“Huaqi Intelligent”) in the first half of 2019, the Group has further reinforced the PIS business segment and succeeded in climbing to the first tier of the domestic PIS industry and effectively expanded the existing business scope to most parts of the country including East, South and Central China.

***Acquisition of the 10% equity interest of BII ERG***

Furthermore, the Group has completed the acquisition of the 10% equity interest of 北京京投億雅捷交通科技有限公司 (BII Transportation Technology (Beijing) Co., Ltd.) (“BII ERG”) and made capital contribution of RMB20 million by means of cash so that it became a wholly-owned subsidiary of the Company. The profitability and market competitiveness of the Group can then be improved further.

### ***Completion of HK\$0.5 billion in debt financing in July 2019***

As at 30 June 2019, the Group has a consolidated credit amount of RMB0.694 billion from the Construction Bank Corporation, Industrial and Commercial Bank of China, and the Industrial Bank. The Group received a loan of HK\$0.5 billion from BII on 12 July 2019 for the routine operation, expansion of business scope and enhancement of research and development capability of the Group.

## **FINANCIAL REVIEW**

The revenue for the Group increased by approximately 262% from approximately HK\$137.2 million for the six months ended 30 June 2018 to approximately HK\$496.0 million for the six months ended 30 June 2019, while the Group's cost of sales have increased approximately 218% from approximately HK\$99.9 million for the six months ended 30 June 2018 to approximately HK\$317.6 million for the six months ended 30 June 2019, resulting in an increase in the Group's gross profit by approximately 378% from approximately HK\$37.3 million for the six months ended 30 June 2018 to approximately HK\$178.4 million for the six months ended 30 June 2019.

Taking into account the effect of other revenue, other net loss, overhead expenses, investment gain and loss, income tax and non-controlling interests, the Group's profit attributable to equity shareholders of the Company increased by approximately 208% from approximately HK\$19.3 million for the six months ended 30 June 2018 to approximately HK\$59.5 million for the six months ended 30 June 2019.

### **Revenue**

The Group's revenue generated from intelligent railway transportation services increased by approximately 529% from approximately HK\$68.1 million for the six months ended 30 June 2018 to approximately HK\$428.4 million for the six months ended 30 June 2019. The increase for the current period when compared with the corresponding period last year was mainly due to: (i) the acquisition of Huaqi Intelligent was completed in March 2019, and its operating result was consolidated into the Group, leading to a significant increase of the Group's revenue; (ii) apart from Huaqi Intelligent, certain projects which will greatly affect the revenue of the Group will be recognised during current period, including line 1 and line 2 platform screen door installation project, monitoring project of the new Airport Expressway, K0856 project of MTR Corporation Limited, ANCC project for the Zhengzhou Metro and the Smart Card Renovation Project of Beijing-Tianjin-Hebei.

The Group's revenue from infrastructure information services decreased by approximately 2% from approximately HK\$69.1 million for the six months ended 30 June 2018 to approximately HK\$67.6 million for the six months ended 30 June 2019. The revenue for the six months ended 30 June 2019 decreased slightly when compared with the corresponding period of 2018, which was mainly due to the fluctuation of exchange rate.

## **Cost of sales**

The Group's cost of sales increased by approximately 218% from approximately HK\$99.9 million for the six months ended 30 June 2018 to approximately HK\$317.6 million for the six months ended 30 June 2019. The increase in related costs was due to the revenue increase for the six months ended 30 June 2019 when compared with the corresponding period last year.

## **Gross profit**

The Group's gross profit increased by approximately 378% from approximately HK\$37.3 million for the six months ended 30 June 2018 to approximately HK\$178.4 million for the six months ended 30 June 2019. The increase for the current period when compared with the corresponding period last year was mainly due to completion of the acquisition of Huaqi Intelligent and its operating result was consolidated into the Group, leading to an increase in the Group's gross profit.

## **Investment income**

The Group recorded an increase in investment income of approximately 5% from approximately HK\$3.7 million for the six months ended 30 June 2018 to approximately HK\$3.9 million for the six months ended 30 June 2019. The increase in investment income was mainly due to the increase in invoice revenue as a result from the increase in passenger flow of the joint venture Beijing Metro.

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

The Group's selling, general and administrative expenses increased by approximately 289% from approximately HK\$23.6 million for the six months ended 30 June 2018 to approximately HK\$91.7 million for the six months ended 30 June 2019. Such increase was mainly due to consolidation of selling, general and administrative expenses of the newly acquired Huaqi Intelligent and the increase of labour cost.

## **Research expenses**

The Group's research and development expenses increased by approximately 137% from approximately HK\$18.9 million for the six months ended 30 June 2018 to approximately HK\$44.8 million for the six months ended 30 June 2019. Such increase was mainly due to investment in research and development of the newly acquired subsidiary, namely Huaqi Intelligent, in 2019.

## **Profit attributable to equity shareholders of the Company**

The Group's profit attributable to equity shareholders of the Company increased by approximately 208% from approximately HK\$19.3 million for the six months ended 30 June 2018 to approximately HK\$59.5 million for the six months ended 30 June 2019.

## **Liquidity, financial and capital resources**

### ***Capital structure***

As at 30 June 2019, the Company's total number of issued shares was 2,100,126,727 ordinary shares of HK\$0.01 each (31 December 2018: 2,100,126,727 ordinary shares of HK\$0.01 each).

### ***Cash position***

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately HK\$304.9 million (31 December 2018: approximately HK\$1,069.6 million), the decrease was mainly due to the payment for acquisition of Huaqi Intelligent.

### ***Bank and other borrowings***

As at 30 June 2019, the Group has outstanding borrowings of HK\$58.1 million (31 December 2018: approximately HK\$342.4 million) which are unsecured loans and will be repaid according to the terms of the contracts. Internal resources will be used for repayment of the loans. The Group has no charges on its assets as at 30 June 2019.

### ***Working capital and gearing ratio***

As at 30 June 2019, the Group had current assets of approximately HK\$1,994.0 million (31 December 2018: approximately HK\$2,340.0 million), while its current liabilities were approximately HK\$985.5 million (31 December 2018: approximately HK\$827.8 million), resulting in net current assets of approximately HK\$1,008.5 million (31 December 2018: approximately HK\$1,512.3 million). As at 30 June 2019, current ratio, calculated based on current assets divided by current liabilities, was approximately 2.0 (31 December 2018: approximately 2.8). The decrease in current ratio when compared with the end of last year was mainly due to the fact that Huaqi Intelligent was acquired by cash.

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 at 30 June 2019, the Group's gearing ratio was approximately 35.9% (31 December 2018: 27.8%). The increase in gearing ratio when compared with the end of last year was mainly due to the acquisition of Hauqi Intelligent.

### **Foreign exchange exposure**

The Group has included two main operating subsidiaries in the current period. There are six main operating subsidiaries in total, one located in Hong Kong and the other five in Mainland China. All of the subsidiaries earn revenue in their local currencies. The Directors consider that the impact of foreign exchange exposure on the Group is insignificant. Therefore, the exchange rate risk of the transaction almost has no impact on the Group. As of 30 June 2019, the net exchange earnings of the Group due to exchange rate fluctuations amounted to approximate HK\$14.1 million, mainly due to the exchange of foreign currencies by overseas enterprises through close monitoring of the trend of foreign exchange rates. As of 30 June 2019, the Group's foreign stock funds were mainly US dollars and Hong Kong dollars, as the

Hong Kong dollar still remains pegged to the US dollar within a defined range, so the Group does not bear any significant foreign exchange risk in converting US dollars. The Group does not have any related hedging in foreign exchange. However, the Group will closely monitor the risk in foreign exchange.

### **Contingent liabilities**

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2019, the Group had 751 employees (30 June 2018: 298). As at 30 June 2019, the total staff costs, including Directors' remuneration, were approximately HK\$111.4 million (for the six months ended 30 June 2018: HK\$46.8 million), mainly due to the increase in the number of employees and labour costs after the acquisition of Huaqi Intelligent.

Remuneration package is reviewed by the Group annually with reference to market conditions and the performance, qualification and experience of individual employee. In addition to basic salaries, bonuses will be paid based on the Group's performance and the contribution of individual employee. Other staff benefits include share options, contributions to the PRC social insurance scheme, contributions to Hong Kong Mandatory Provident Fund scheme and insurance. The Group also organises professional and vocational training for its employees.

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

In November 2018, the Company entered into an acquisition agreement with NetPosa Technologies Limited ("NetPosa"), Huaqi Intelligent and Mr. Liu Guang, pursuant to which the Company acquired 95% equity interests of Huaqi Intelligent from NetPosa at a maximum consideration of RMB1.045 billion. In March 2019, the Group completed the acquisition of Huaqi Intelligent and included it in the financial statements of the Group. The acquisition of Huaqi Intelligent is an important move for the Group to strengthen the PIS business sector and enter the first echelon of the PIS industry, thereby effectively expanding the Group's customer base, extending distribution areas as well as upgrading its core technological strength, and this in turn enhances the Group's influences in the capital market and the image of technological enterprise as a whole.

In February 2019, the Group completed the acquisition of the 10% equity interest of BII ERG. Since then, BII ERG has become a wholly-owned subsidiary of the Company. In June 2019, the Group increased its capital by RMB20 million in cash so that the registered capital of BII ERG reached RMB100 million. This acquisition and capital increase will strengthen the market competitiveness of BII ERG and generate better economic benefits for the Group.

Save as disclosed above, there were no other significant investments, material acquisitions or disposals of subsidiaries and affiliated companies, or other plans for material investments or capital assets during the six months ended 30 June 2019.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

## **BUSINESS PROSPECTS**

According to the survey conducted by China Rail Transit Net regarding the latest bidding and construction progress of each line, it was estimated that from 2020 to 2021, the mileage of new operation lines of city railway transportation in China would reach 2,635.93 kilometres, involving 1,604 railway stations, representing an investment amount of RMB1,782.926 billion. In the second half of 2019, the Group would firmly grasp the development opportunities of constructing city railway transportation to proactively expand the spectrum of its business coverages, and at the same time closely adhere to the new development direction of “three transformation models” of BII and actively participate in the construction of intelligent management systems including utility tunnel in Beijing, expressways and transit-oriented development in a bid to cope with the excellently selected “Public-Private Partnership (PPP) to go public” model of BII for continuously improving its overall industrial chain in railway transportation, upgrading its business from a “market-driven” model to a “market, capital and technology-driven” model and enhancing its core competitiveness, thereby better serve the society and create value for shareholders.

Based on focusing its principal business, specialising in intelligent system services for railway transportation and consolidating its well established industry accumulation and advantages, the Group will explore the tremendous development opportunities arising from the intelligent upgrade of railway transportation, leveraging on its commitment to “Intelligent Subway” as the lead to proactively promote a series of brand new businesses, including a big data centre for railway transportation, the AFC cloud platform and internet ticketing (face + biological recognition), together with the measures for improving product lines and expanding regional businesses to achieve continuous business enhancement. By directing the city railway transportation to transform from informatisation to intelligent upgrade, the Group strives to become a leading service provider of intelligent railway transportation system in China. At the same time, the Group will firmly grasp the opportunities arising from the 5G upgrade and the implementation of intelligent city and intelligent subway to expedite the construction scale of its 5G business in full swing. With the progressive development of the Beijing Subway Airport Express Line and continuous development of 5G in new lines, these businesses will generate more economic benefits for the Group.

The Group will continue to adopt various capital operation models including mergers and acquisitions, investment and business collaborations to achieve rapid expansion of principal business. In the course of implementing industry upgrade, it can drive the enhancement and integration of the industry and create a new development model for the overall industrial chain, thereby laying a good foundation for the Group to consolidate its technological positioning and erect a flagship brand famed for intelligent railway transportation. Looking ahead, the Group will continue to deploy the five systems of intelligent railway transportation proactively and cultivate further development opportunities in intelligent operation and maintenance in a bid to gather momentum for sustainable development and create maximum benefits for shareholders.

## **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 2019. 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 2019, 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 ("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 was adopted in compliance with paragraphs 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 make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and give material advice in respect of financial reporting; and oversee risk management and internal control systems of the Company.

As at 30 June 2019, 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 of the Group for the six months ended 30 June 2019 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 2019 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 2019.

## **EVENT DURING THE PERIOD FROM 30 JUNE 2019**

The Group has no material subsequent event to be disclosed from 30 June 2019 up to the date of the publication of this announcement.

## **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 2019 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 and Chief Executive Officer*

Hong Kong, 27 August 2019

*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.*