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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019 AND
CHANGE IN MEMBER OF REMUNERATION COMMITTEE

The board (the “Board”) of directors (the “Directors”) of BII Railway Transportation Technology Holdings Company Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019.

The consolidated financial results set out in this announcement are extracted from the Group’s audited consolidated financial statements for the year ended 31 December 2019 (“2019 financial year” or “FY 2019”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019 (Expressed in Hong Kong dollars (“HK\$”))

		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>(Note)</i> <i>HK\$'000</i>
Revenue	4	1,193,937	453,204
Cost of sales		<u>(769,158)</u>	<u>(344,389)</u>
Gross profit	4(b)	424,779	108,815
Other income		70,758	42,336
Selling, general and administrative expenses		(249,725)	(77,717)
Research expenses		<u>(117,928)</u>	<u>(33,423)</u>
Profit from operations		127,884	40,011
Finance costs	5(a)	(27,414)	(2,747)
Share of profits of joint ventures and associates		25,182	21,375
Fair value change in contingent considerations		<u>(6,304)</u>	<u>–</u>
Profit before taxation	5	119,348	58,639
Income tax	6	<u>(8,865)</u>	<u>(5,311)</u>
Profit for the year		<u>110,483</u>	<u>53,328</u>
Attributable to:			
Equity shareholders of the Company		96,870	47,398
Non-controlling interests		<u>13,613</u>	<u>5,930</u>
Profit for the year		<u>110,483</u>	<u>53,328</u>
Earnings per share			
– Basic (HK\$)	7	<u>0.046</u>	<u>0.023</u>
– Diluted (HK\$)	7	<u>0.046</u>	<u>0.023</u>

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 (Expressed in HK\$)

	2019	2018
	<i>HK\$'000</i>	<i>(Note)</i> <i>HK\$'000</i>
Profit for the year	110,483	53,328
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	<u>(51,058)</u>	<u>(37,139)</u>
Total comprehensive income for the year	<u>59,425</u>	<u>16,189</u>
Attributable to:		
Equity shareholders of the Company	44,015	11,441
Non-controlling interests	<u>15,410</u>	<u>4,748</u>
Total comprehensive income for the year	<u>59,425</u>	<u>16,189</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019 (Expressed in HK\$)

		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>(Note)</i> <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		175,604	107,415
Intangible assets		228,771	101,438
Goodwill		622,239	62,389
Interests in joint ventures and associates		462,687	413,466
Income tax recoverable		3,934	–
Contingent considerations		181	–
Deferred tax assets		35,055	18,704
		1,528,471	703,412
		1,528,471	703,412
Current assets			
Other financial assets		169,680	74,983
Inventories and other contract costs		502,489	79,027
Contract assets	8(a)	424,721	326,726
Trade and other receivables	9	557,594	789,723
Cash on hand and in bank		850,891	1,069,561
		2,505,375	2,340,020
		2,505,375	2,340,020
Current liabilities			
Trade and other payables	10	784,340	394,444
Contract liabilities	8(b)	31,568	66,045
Bank and other borrowings		59,876	–
Loans from a related party		–	342,388
Lease liabilities		5,634	–
Current taxation		23,501	24,887
Contingent considerations		73,309	–
Provision for warranties		8,628	–
		986,856	827,764
		986,856	827,764
Net current assets		1,518,519	1,512,256
Total assets less current liabilities		3,046,990	2,215,668

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2019 (Expressed in HK\$)

	2019	2018
	<i>HK\$'000</i>	<i>(Note)</i> <i>HK\$'000</i>
<i>Note</i>		
Non-current liabilities		
Bank and other borrowings	500,000	–
Lease liabilities	11,537	–
Contingent considerations	207,076	–
Deferred tax liabilities	52,497	18,016
Deferred income	1,077	–
Provision for warranties	2,263	–
	<hr/>	<hr/>
	774,450	18,016
	<hr/>	<hr/>
NET ASSETS	2,272,540	2,197,652
	<hr/>	<hr/>
CAPITAL AND RESERVES	<i>11</i>	
Share capital	21,001	21,001
Reserves	2,168,215	2,147,809
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	2,189,216	2,168,810
Non-controlling interests	83,324	28,842
	<hr/>	<hr/>
TOTAL EQUITY	2,272,540	2,197,652
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in HK\$ unless otherwise indicated)

1 CORPORATE INFORMATION

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 consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise 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, implementation 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group’s interests in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investments in debt investments;
- contingent considerations; and
- options

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, 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. 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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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 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. 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.

b. Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.14%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

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	(5,453)
	5,065
Less: total future interest expenses	(208)
	4,857
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	

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

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

c. 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 year.

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.

The following tables may give an indication of estimated impact of adoption of IFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	Add back: IFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note 1)	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C)	(D=A+B-C)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial result for the year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	127,884	5,437	5,832	127,489	40,011
Finance costs	(27,414)	649	–	(26,765)	(2,747)
Profit before taxation	119,348	6,086	5,832	119,602	58,639
Profit for the year	110,483	6,086	5,832	110,737	53,328

The Group's general and administrative expenses and finance costs are not allocated to individual segments, so there is no significant impact of adoption of IFRS 16 on the Group's segment results.

	2019			2018
	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17 (Note 1&2)	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C=A+B)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Line items in the consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	42,984	(8,085)	34,899	67,910
Net cash generated from operating activities	39,126	(8,085)	31,041	82,107
Capital element of lease rentals paid	(7,436)	7,436	–	–
Interest element of lease rentals paid	(649)	649	–	–
Net cash generated from financing activities	13,043	8,085	21,128	313,415

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash used in financing activities as if IAS 17 was still applied.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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, implementation and sale of related software, hardware and spare parts in utility tunnel areas, and the investment in the railway transportation areas through investing in equity. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from intelligent railway transportation services	1,008,564	323,812
– Revenue from infrastructure information services	185,373	129,392
	1,193,937	453,204

For the year ended 31 December 2019, revenues from transactions with one customer (2018: three customers) has exceeded 10% of the Group's revenue:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	246,540	77,140
Customer B	less than 10% of the Group's revenue	58,983
Customer C	less than 10% of the Group's revenue	47,411

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$1,991,014,000 (31 December 2018: HK\$965,619,000). This amount represents revenue expected to be recognised in the future from intelligent railway transportation contracts and infrastructure information services contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 48 months (31 December 2018: next 1 to 60 months).

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(iii) *Total future minimum payments receivable by the Group related to civil communication transmission services*

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	98,614	100,007
After 1 year but within 5 years	266,477	311,782
	365,091	411,789

(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 year ended 31 December 2019, as the relevant business has been expanded, the Group decided to change "Civil communication transmission" as previously reported for the year ended 31 December 2018 to "Infrastructure information". 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 utility tunnel areas.
- Business development investment: this segment manages the equity investments in railway transportation areas 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 years ended 31 December 2019 and 2018. 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, 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 years ended 31 December 2019 and 2018 is set out below.

	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>
Disaggregated by timing of revenue recognition				
Point in time	899,334	32,726	–	932,060
Over time	109,230	152,647	–	261,877
Revenue from external customers and reportable segment revenue	<u>1,008,564</u>	<u>185,373</u>	<u>–</u>	<u>1,193,937</u>
Reportable segment gross profit	<u>353,221</u>	<u>71,558</u>	<u>–</u>	<u>424,779</u>
Share of profits of joint ventures and associates	<u>–</u>	<u>–</u>	<u>25,182</u>	<u>25,182</u>
	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>
Disaggregated by timing of revenue recognition				
Point in time	166,628	–	–	166,628
Over time	157,184	129,392	–	286,576
Revenue from external customers and reportable segment revenue	<u>323,812</u>	<u>129,392</u>	<u>–</u>	<u>453,204</u>
Reportable segment gross profit	<u>61,583</u>	<u>47,232</u>	<u>–</u>	<u>108,815</u>
Share of profits of joint ventures and an associate	<u>–</u>	<u>–</u>	<u>21,375</u>	<u>21,375</u>

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

	2019	2018
	<i>HK\$'000</i>	<i>(Note)</i> <i>HK\$'000</i>
Reportable segment gross profit	424,779	108,815
Share of profits of joint ventures and associates	25,182	21,375
Other income	70,758	42,336
Selling, general and administrative expenses	(249,725)	(77,717)
Research expenses	(117,928)	(33,423)
Finance costs	(27,414)	(2,747)
Fair value change in contingent considerations	(6,304)	–
	<hr/>	<hr/>
Profit before taxation	119,348	58,639
	<hr/>	<hr/>

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

(iii) *Geographic information*

All of the Group's revenue are from customers located in the People's Republic of China (the "PRC") (including mainland China and Hong Kong).

The Group's non-current assets, including property, plant and equipment, intangible assets, goodwill and interests in joint ventures and associates, are all located or allocated to operations located in the PRC.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019 <i>HK\$'000</i>	2018 <i>(Note)</i> <i>HK\$'000</i>
Interests on bank and other borrowings	15,430	–
Interests on loans from a related party	11,335	2,747
Interest on lease liabilities	649	–
	<u>27,414</u>	<u>2,747</u>

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

(b) Staff costs

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries, wages and other benefits	226,000	107,782
Contributions to defined retirement plans	15,622	11,043
Cash-settled share-based transaction expenses	505	–
	<u>242,127</u>	<u>118,825</u>

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at a rate of 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's subsidiaries incorporated in Hong Kong under a trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items

		2019	2018
	<i>Note</i>	HK\$'000	<i>(Note)</i> HK\$'000
Cost of inventories	<i>b</i>	513,946	128,053
Auditors' remuneration:			
– statutory audit services		3,182	3,308
– other services		1,364	768
Fair value change in contingent considerations		6,304	–
Impairment losses of trade and other receivables and contract assets		22,578	226
Inventories write-down		10,177	–
Depreciation charge			
– owned property, plant and equipment		31,549	23,603
– right-of-use assets		5,437	–
Amortisation of intangible assets		25,271	20,314
Net loss/(gain) on disposal of owned property, plant and equipment and intangible assets		10,612	(487)
Leases previously classified as operating leases under IAS 17		–	9,363
Short-term leases and other leases with remaining lease term ending on or before 31 December 2019		7,783	–

Notes:

- a The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 3.
- b Cost of inventories includes HK\$120,983,000 (2018: HK\$96,302,000) relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current taxation:		
– Hong Kong Profits Tax	2,444	1,882
– PRC Corporate Income Tax	<u>21,827</u>	<u>(1,961)</u>
	<u>24,271</u>	<u>(79)</u>
Deferred taxation:		
– Origination and reversal of temporary differences	(15,406)	3,313
– Change in tax rate	<u>–</u>	<u>2,077</u>
	<u>(15,406)</u>	<u>5,390</u>
	<u>8,865</u>	<u>5,311</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation	<u>119,348</u>	<u>58,639</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (<i>Notes (i), (ii) and (iii)</i>)	27,149	10,017
Tax effect of non-deductible expenses	4,870	2,921
Tax effect of non-deductible fair value changes	1,040	–
Share of profits of joint ventures and associates	(3,382)	(2,950)
Non-taxable interest income	(1,642)	(4,492)
Non-taxable foreign exchange gain	(2,041)	–
Tax effect of change in tax rate	–	2,077
Tax effect of utilisation of prior years' temporary differences previously not recognised	(1,003)	–
Tax effect of tax losses and deductible temporary differences not recognised	14,730	2,298
Tax concessions (<i>Notes (iv), (v) and (vi)</i>)	<u>(30,856)</u>	<u>(4,560)</u>
Income tax	<u>8,865</u>	<u>5,311</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 year ended 31 December 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime (2018: 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 in 2018.

- (ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2019 (2018: 25%).
- (iv) 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% for the year ended 31 December 2019. 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 (2018: 75%).
- (v) 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 and followed by three years of 50% PRC Corporate Income Tax reduction then. As a result, these subsidiaries enjoyed an exemption from PRC Corporate Income Tax for the year ended 31 December 2019 (2018: not applicable).
- (vi) During the year ended 31 December 2019, a subsidiary of the Group met the criterion 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 year ended 31 December 2019 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$96,870,000 (2018: HK\$47,398,000) and the weighted average of 2,100,127,000 ordinary shares (2018: 2,103,294,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019 '000	2018 '000
Issued ordinary shares at 1 January	2,100,127	2,104,787
Effect of shares repurchased	–	(1,493)
	<hr/> 2,100,127	<hr/> 2,103,294
Weighted average number of ordinary shares at 31 December	2,100,127	2,103,294

The Group has no dilutive ordinary shares outstanding for the year ended 31 December 2019 and 2018. Therefore, there was no difference between basic and diluted earnings per share.

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2019 HK\$'000	2018 HK\$'000
Contract assets		
Arising from performance under contracts with customers	451,566	335,441
Less: loss allowance	(26,845)	(8,715)
	<hr/> 424,721	<hr/> 326,726
Receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade and other receivables” (Note 9)	471,001	268,212

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's service contracts include payment schedules which require stage payments over the service period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a one to three years retention period after the performance of sales contracts, during which credit term may be granted to customers for retentions receivable, depending on the market practice of the industry and credit assessment carried out by management on an individual customer basis.

The amount of contract assets that is expected to be recovered after more than one year is HK\$57,473,000 (2018: HK\$38,617,000), all of which relates to retentions.

(b) **Contract liabilities**

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract liabilities		
Service contracts		
– Billings in advance of performance	31,568	66,045

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

Movements in contract liabilities

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at 1 January	66,045	33,312
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(60,671)	(32,899)
Increase through business combinations	476	–
Increase in contract liabilities as a result of billing in advance of service	28,087	68,370
Exchange adjustments	(2,369)	(2,738)
Balance at 31 December	31,568	66,045

The amount of billings in advance of performance and forward sales deposits received expected to be recognised as income within one year is HK\$31,568,000 (2018: HK\$66,045,000).

9 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables due from:			
– third parties		271,343	228,208
– affiliates of an equity shareholder of the Company		26,227	28,376
– an associate of the Group		3,019	–
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		–	22,182
Bills receivable		184,582	–
		485,171	278,766
		-----	-----
Amounts due from related parties:	<i>9(b)</i>		
– equity shareholders of the Company and their affiliates		244	215
– a joint venture of the Group		1,116	1,141
– non-controlling equity holders of a subsidiary of the Group		2,598	–
– an affiliate of an equity holder of the non-controlling equity holder of a subsidiary of the Group		–	1,826
		3,958	3,182
		-----	-----
Less: loss allowance		(14,170)	(10,554)
Prepayments, deposits and other receivables		62,744	41,269
VAT recoverable		18,752	–
Earnest deposit for acquisition		–	477,060
		556,455	789,723
Financial assets measured at amortised cost		556,455	789,723
Fair value of put-option in connection with acquisition of Litmus Technologies (Beijing) Co., Ltd. (“Litmus”)		1,139	–
		557,594	789,723
		-----	-----

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 and bills receivables, based on the invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	410,511	191,232
Over 1 year	74,660	87,534
	485,171	278,766
	-----	-----

(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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables due to:		
– third parties	540,776	301,797
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	–	236
– a joint venture of the Group	5,628	2,377
– an associate of the Group	123	–
Bills payable	133,569	20,071
	680,096	324,481
Amounts due to an affiliate of an equity shareholder of the Company	234	240
Accrued expenses and other payables	87,141	46,161
Financial liabilities measured at amortised cost	767,471	370,882
Other taxes payables	16,364	23,562
Put-options in connection with share-based transactions	505	–
	784,340	394,444

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills payables (which are included in trade and other payables), based on the maturity date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Due within 1 month or on demand	568,855	304,916
Due after 1 month but within 6 months	74,928	19,565
Due after 6 months but within 1 year	36,313	–
	680,096	324,481

11 CAPITAL AND DIVIDENDS

(a) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

	2019 HK\$'000	2018 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK\$2 cents per ordinary share (2018: HK\$1 cent)	42,002	21,001

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) *Dividends to equity shareholders of the Company attributable to the previous financial period, approved during the current year*

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

(b) Share capital

(i) Authorised and issued share capital

	2019		2018	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each	<u>5,000,000,000</u>	<u>50,000</u>	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:				
At 1 January	2,100,126,727	21,001	2,104,786,727	21,048
Cancellation of shares	<u>-</u>	<u>-</u>	<u>(4,660,000)</u>	<u>(47)</u>
At 31 December	<u>2,100,126,727</u>	<u>21,001</u>	<u>2,100,126,727</u>	<u>21,001</u>

(ii) Shares issued under share option scheme

During the year ended 31 December 2019, no share option was exercised.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

MARKET AND BUSINESS ENVIRONMENT

Due to urbanisation and population agglomeration in central cities, China's rail transit industry is experiencing an explosive growth continuously. Data from the China Association of Metros* (中國城市軌道交通協會) showed that the length of newly-added urban rail transit lines in operation exceeded 900 km in 2019. As of 31 December 2019, a total of 40 cities in mainland China opened rail transit lines spanning over a length of 6,730.27 km. The National Development and Reform Commission (“NDRC”) last year approved a new round of urban rail transit construction plans in Zhengzhou, Xi'an and Chengdu, with a total length of 486.25 km and a total investment of approximately RMB342.6 billion. The total railway lines reached 139,000 km as of the end of 2019, and the total fixed-asset investments in railway exceeded RMB800 billion. A total of 51 new lines, including Beijing-Zhangjiakou High-speed Railway line, Beijing Daxing International Airport section of Beijing-Xiong'an Intercity Railway and Chengdu-Guiyang High-speed Railway, were put into operation. Railway investments remained at a high level.

In 2019, Beijing's rail transit network had a total passenger volume of approximately 3.962 billion, and the average daily passenger volume had reached approximately 10.85558 million. With the opening of 3 lines such as the Beijing Daxing International Airport Express Line, Beijing's rail transit operating mileage reached 699.3 km, with 23 lines and 405 stations in operation as of the end of 2019. According to the scheme in relation to the adjustment of the second phase of an urban rail transit construction plan in Beijing which was approved by NDRC in December 2019, there was an adjustment of 201.2 km of lines that will cost RMB122.212 billion, on top of the originally planned lines of 998.5 km with a total investment of RMB212.28 billion.

Under the guidance and support of macro policies, the railway and urban rail transit sector in mainland China will maintain rapid development, thereby driving the rapid development of the entire relevant chain involving investment, construction, operation, and maintenance. Under this rapid development environment, the Group has well achieved its goals of 2019 by virtue of its own advantages and its judgment on development opportunities. Besides, it integrated internal systems and gained momentum to lay the foundation for the next stage of sustainable growth.

BUSINESS REVIEW

Overview

In 2019, the Group seized development opportunities arising from the construction of railway and urban rail transit in mainland China and firmly carried out its three-year (2019-2021) development strategy of “one body, one platform, and one centre”. Its two major businesses, intelligent railway transportation and infrastructure information, grew rapidly. The profit attributable to equity shareholders of the Company was approximately HK\$96.9 million in FY 2019, which has doubled when compared with the previous year. A new historic breakthrough was made in the Group's annual results. The significant growth showed that the Group's development has reached a new level and entered a new stage.

The Group's operating results increased significantly and its operating quality improved continuously in 2019, with sales revenue went up approximately 163.4% from the previous year and reached approximately HK\$1,193.9 million. The proportion of the sales revenue from the intelligent railway transportation business to its total revenue increased to approximately 84.5%, as sales revenue from this segment increased approximately 211.5% from the previous year to approximately HK\$1,008.5 million. The growth is mainly attributed to the acquisition of 95% equity interests in Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司) (“**Huaqi Intelligent**”) in the first quarter of 2019, contributing revenue of approximately HK\$556.1 million. Sales revenue from the infrastructure information business reached approximately HK\$185.4 million, representing a year-on-year increase of approximately 43.3%. The Group's gross margin rose approximately 11.6 percentage points from the previous year to approximately 35.6% in FY 2019 complementing the growth in sales revenue, representing a huge boost in profitability.

The Group completed the acquisition of 95% equity interests of Huaqi Intelligent for a consideration of RMB1.045 billion (equivalent to approximately HK\$1.191 billion) in March 2019, which has further reinforced its Passenger Information System (PIS) business, strengthening its leading position in the mainland's PIS industry and enhancing its core competitiveness. Huaqi Intelligent has been deeply integrated with the Group in the areas of, among others, marketing, Research and Development (R&D), finance, branding and management since the completion of the acquisition, and achieving initial synergic effect. Reference is made to the Company's circular dated 31 January 2019 in relation to, among others, the acquisition of 95% equity interests in Huaqi Intelligent (“**VSA Circular**”). The Board is pleased to announce that the 2019 Actual Performance (as defined in the VSA Circular) of Huaqi Intelligent was more than 90% but less than 100% of the 2019 Guaranteed Performance (as defined in the VSA Circular), hence the 2019 Guaranteed Performance shall be treated as being fulfilled according to the terms of the Acquisition Agreements (as defined in the VSA Circular).

The Group adhered to its market strategy of “relying on Beijing and Hong Kong, radiating across the country, and exploring international markets”, and it made great progress in market expansion. The Group participated in many projects, including automatic fare collection system (AFC) of Beijing Subway Line 12, and expanded its businesses to Fuzhou, Hefei, Kunming, Xuzhou, Nantong, Foshan, Pingyao, Dujiangyan, etc. where public transportation needs to be upgraded urgently. Moreover, it explored the India market in Mumbai and Pune through the international business department of Huaqi Intelligent. As of the end of 2019, the Group's businesses covered a total of 39 cities in China and 9 cities overseas. As of the end of 2019, the Group had orders on hand of approximately HK\$1.99 billion.

The Group attended various industry-leading exhibitions in 2019, including the International Metro Transit Exhibition Beijing, UITP Congress and Exhibition in Stockholm, Sweden, and International Railway Equipment Exhibition in New Delhi, India, demonstrating its technical strength and project capability on a number of international and domestic industry platforms. It became a council member of the China Association of Metros and Beijing Railway Transportation Association and joined the urban rail cloud 1+N industry alliance in 2019. These platforms, which allow industry players to communicate with each other, will help raise the Group's reputation and increase brand value.

The Group paid continuous attention to intellectual property protection. It obtained 13 patent certificates (75 in total as of the end of 2019) and 59 software copyright certificates (291 in total as of the end of 2019) in FY 2019, which have been applied in many projects. The Group maintained a strong level of R&D and innovation, improving the quality and efficiency for the Group to achieve sustainable development. The Group has also actively explored innovation in rail transit while focusing on its main businesses. The investment on technology R&D was approximately HK\$117.9 million, which represented a high level of approximately 9.9% of the total revenue in FY 2019. The investment effectively promoted the transformation of scientific and technological achievements to boost the Group's future profitability, solidifying the foundation for enhancing the Group's intelligent railway transportation business.

BUSINESS ANALYSIS BY SEGMENT

Intelligent railway transportation business: Development and breakthrough

The Group's intelligent railway transportation business mainly involves PIS, AFC, Automatic Fare Collection Clearing Centre (ACC) and Traffic Control Centre (TCC). The Group continues to expand its main business which focuses on intelligent railway transportation system. It recorded sales revenue of approximately HK\$1,008.5 million in 2019, representing a year-on-year increase of approximately HK\$684.7 million or 211.5%. The revenue comprised: (1) sales revenue of approximately HK\$556.1 million from the completion of the acquisition of 95% equity interests of Huaqi Intelligent in March 2019; and (2) revenue recognised in FY 2019 from a number of partially or wholly finished large-scale projects that greatly contributed to the Group's revenue other than Huaqi Intelligent, including Kunming Metro Line 4's AFC project, new airport expressway project, MTR K0856 project, Zhengzhou Metro Automatic Fare Collection Network Control Centre (ANCC) project, and Beijing-Tianjin-Hebei transportation integration project.

The Group's internal statistics suggested that in terms of on-board PIS service, the Group had a market share of approximately 48% in high-speed rail, approximately 32% in subway and approximately 95% in intercity railway, which showed that the Group has achieved the top rank in the industry, and solidifying its leading position in the field of on-board PIS, and synergic effect gradually emerged. As for AFC/ACC service, it came 9th in the industry with a market share of approximately 6.0% in subway in 2019 representing an increase compared to 2.3% in 2018. The gap between the Group and the industry's first-tier companies (the industry's first-tier companies (top five companies) occupied an average market share of approximately 12.3%) has further narrowed.

Business in Beijing saw stable development. The Group secured projects, including the AFC equipment procurement project and PIS project for Beijing Subway Line 12, and the project of connecting new rail transit lines to the system of Beijing Metro Network Control Center's information centre, 04 and 05 delivery and commissioning for Beijing New Airport's utility tunnel project, and the Enterprise Resource Planning (ERP) project for Pingxifu overhaul factory. Closely following its overall strategy, the Group will deeply participate in the construction of the third-phase platform for the intelligent subway and network in Beijing, with the purpose of becoming a major service provider for the subway intelligentisation and upgrading in Beijing. It spared no efforts to increase its market share in Beijing and further solidify its leading position in the capital city by enriching the existing product lines, building an intelligent subway product system and growing its core AFC, PIS and TCC businesses.

Market expansion in mainland China (other than) Beijing produced remarkable results.

The Group successively signed contracts for many projects, including the AFC project of Kunming Metro Line 4, PIS project of Fuzhou Metro Line 6, phase 3 project of Shenzhen Metro Line 4, Xuzhou Metro Line 3, on-board PIS project of Suzhou Metro Line 5, on-board PIS project of Nantong Metro Line 1, phase 1 on-board PIS projects of Hangzhou Metro Line 7 and 8, Chengdu Metro Line 9, Ningbo Metro Line 4, Hangzhou Metro Line 5, Hebei Jingche Rail Transit Vehicle Equipment's ERP project, and improvement project of slow-traffic system in Luyang District, Hefei. After obtaining the Zhengzhou ANCC project, the Group also successfully got the big data cloud platform project in Zhengzhou, laying an important foundation to transform Zhengzhou into an emerging regional hub. Drawing experience from the mature model of "Beijing products + Beijing services", the Group took actions based on the actual local conditions to better expand the market in mainland China (other than Beijing) more widely and deeply.

Breakthroughs in overseas markets. The Group was the bid winner of some projects in countries along the "Belt and Road", including on-board PIS projects of Mumbai Metro Line 2 and 7, Pune metro project, Sri Lankan Diesel Multiple-Unit (DMU) trains' passenger information, broadcasting and film and television systems, passenger information system for high-speed railway in Jakarta, Indonesia, accelerating the pace to expand the international markets thanks to its competitive advantages in technology and project management.

Scientific and technology R&D achievements emerged. The Group introduced big data and cloud computing technologies into its intelligent railway transportation system. It set up a cloud platform centering big data and cloud computing, a unified data interface platform, data centres, and a passenger information service product line based on passenger flow data analysis, and an intelligent repair and maintenance product line with a view to reduce costs and increase efficiency for precise operation. Meanwhile, the Group closely integrated R&D innovation achievements with project implementation to continuously improve the technical competitive advantage of its main businesses. The operational ANCC system on Zhengzhou Metro successfully combined ACC with Multiple Line Centre (MLC), enabling AFC to shift from a five-tier architecture to a four-tier one, saving the investment cost in system construction and improving the operation management efficiency. This is China's first metro network control centre built on a cloud platform. The visible on-board passenger alarm system targeting passenger services, the pantograph monitoring system that ensures production safety and the driver fatigue monitoring system that guarantees driving safety have been used in the Hangzhou Metro project, Beijing-Xiong'an high-speed-rail project and Hong Kong's MTR project respectively, which further upgraded the intelligent services and intelligent operation and maintenance capabilities of train equipment. The implementation of the big data cloud platform project in Zhengzhou and the metro clearing centre project in Foshan further enhanced the influence of the Group's self-developed intelligent platforms.

Infrastructure information business: Opportunity seizing and innovation

The Group's infrastructure information business mainly consists of 4G and 5G transmission services for subway civil communications and construction of underground utility tunnel's intelligent management system, which are mainly concentrated in Beijing. As for subway civil communications, the Group made a profit by charging fees from providing of its civil communication transmission services to China's three major telecom operators, and by gaining shared revenue from mobile data traffic. Meanwhile, in terms of underground utility tunnel's intelligent management system, the Group gained revenue by offering system construction, operation and maintenance services.

In 2019, sales revenue derived from the infrastructure information business was approximately HK\$185.4 million, representing a year-on-year increase of approximately HK\$56.0 million or 43.3%. The source and growth in revenue of this segment are mainly due to the continuous development of the civil communications transmission business and the further development of the utility tunnel business.

2019 was a year when mainland China officially entered an era of 5G commercialisation. Civil communications service, which is one of the Group's infrastructure information businesses, also entered into the "era of 5G". The Group refined the operation of its civil communications business to increase the value of civil communications assets. It explored new markets and approached new customers and created new revenue by expanding the business of innovative valued-added products and services. As of the end of 2019, the Group's civil communications service covered 21 metro lines and 208 metro stations in Beijing. The newly-added three lines in 2019 were all covered with 5G service. Besides, the number of 100 MB 3G and 4G resources used by the three major telecom operators increased by more than 100. Moreover, it actively expanded new value-added services and completed the interconnection of optical fibre for existing 19 lines to lay the foundation for subsequent expansion of the optical fibre and broadband rental market. The Group signed agreements on the use of optical fibre resources with the relevant telecom operators to continuously explore new profit models and growth points.

Utility tunnel business saw rapid development. The Group made a new attempt in the field of utility tunnel. It built a leading Chinese and self-developed and patented intelligent utility tunnel management platform, which was put into use in the International Horticultural Exhibition 2019, Beijing. The Group also won the bidding of the peripheral supporting utility tunnel project of Beijing 2022 Winter Olympics' Yanqing zone. Therefore, it will provide low-voltage integration, software development, delivery and commissioning and other services for the underground utility tunnel, which is known as the "lifeline" of Winter Olympics, to improve the intelligent management, operation and maintenance level of utility tunnel for the event. Relying on the existing platform and combining converged communications, facial recognition and other independent core technologies, the Group has created an intelligent site management system in relation to personnel and material positioning, video surveillance, labour service of utility tunnel, environmental monitoring, material management and personnel communications, and integrating background software and end-user equipment. The system has been used in three sections of the rail transit line for Winter Olympics, which are under construction and enhanced the intelligent construction level for infrastructure. In the meantime, the Group developed new local control unit (LCU) products based on LoRa and edge computing, which will be applied soon in the utility tunnel project of Beijing Subway

Line 7's eastern extension. The Group will gradually promote its self-developed utility tunnel products. Furthermore, the Group actively cooperated with governmental departments to plan a city-level utility tunnel centre, in order to improve the overall management level of utility tunnel in Beijing. The Group's infrastructure information business, representing one of the major application scenarios in smart cities, will have broad market development potential in the long run.

Investments and joint ventures: Improvement and upgrading

With the moves to promote the rapid development of its main businesses and accelerate the expansion of new businesses, the Group closely followed the development trend of rail transit intelligentisation in 2019 and sorted out, analysed and studied the upstream and downstream industry chains and business lines of its main business. It completed strategic investment planning and optimised strategic investment and industrial investment that focused on industrial upgrading and improvement of industrial competitive advantages. The Group also stepped up efforts on post-investment control to promote business synergy and capital appreciation. On the basis of optimising and expanding its main businesses, the Group made presence in subway operation, maintenance and repair, mobile payment, intelligent subway and so forth to create new revenue growth momentum. Centering on the industry chain of intelligent rail transit system, the Group promoted development through equity investment, joint ventures, etc., and quickly obtained experience, mature products, market share, key technologies and industry qualifications to further add and strengthen business lines, enhance its overall core competencies, and create more benefits for the Company's shareholders.

The Group completed the acquisition of the 95% equity interests in Huaqi Intelligent in March 2019. Its financial results were consolidated into the Group's annual results, which became the major driver for the increase in revenue and profits of the Group in FY 2019.

The Group acquired a controlling stake in Litmus Technologies (Beijing) Co., Ltd.* (北京樂碼仕智能科技有限公司) (“**Litmus**”) via injection of capital, as a move to enlarge its asset management business segment. BII Zhongfu Technology Company Limited* (京投眾甫科技有限公司) (“**BII Zhongfu**”), a subsidiary of the Group, injected capital of approximately RMB19.2 million into Litmus in December 2019 to subscribe for 51% equity interests in Litmus. The Group forayed into the fast-growing industry – rail transit asset management system – to quickly gain experience and technical capability in the sub-segment of intelligent rail transit and boost its results.

The subway operation is smooth and orderly, the maintenance and repair service is excellent and improving, the number of transactions made through the mobile payment “Yitongxing” application (APP) exceeded 900 million as of the end of 2019. In addition, the Group also strengthened the control and coordination of the companies it invested in and controlled, adopted differentiated management, optimised and integrated resources, and realised synergic effect:

- The Beijing Subway Capital Airport Express operated by Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) (“**Beijing Metro**”), a joint venture of the Group, transported approximately 12.69 million passengers in 2019, or 34,800 passengers a day on average, representing a rise of approximately 3.3% from 2018. The revenue and net profit grew approximately 4.1% and 21.6% respectively compared to 2018. The Group rolled out some new businesses like advertising business and extended the operation and management businesses to Shaoxing and other cities. It obtained the rights to operate Shaoxing Metro Line 1 and Hangzhou-Shaoxing line.

- Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司) (“**Metro Science and Technology**”), a joint venture of the Group, made further efforts on AFC operation and maintenance, and on new business development and so forth while solidifying the maintenance and repair model for the Beijing Subway Capital Airport Express, boosting its revenue and net profit by approximately 15.8% and 13.4% respectively when compared to 2018.
- The registered users of “Yitongxing” APP manufactured by the Group’s joint venture reached 21 million, and more than 900 million users scanned a QR code to take the subway. Its monthly active users were close to 6 million. It covered 23 urban rail transit lines and will expand its businesses to Hohhot, Dalian, Shenyang and other cities.
- Meanwhile, the Group explored new potential businesses and joint-venture projects via Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)* (保定基石連盈創業投資基金中心(有限合夥)) (“**Cornerstone Lianying**”). It carefully selected investment targets, incubated high-quality companies, and identified new partners for the Group’s future business collaboration.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK\$1,193.9 million in FY 2019, representing an increase of approximately HK\$740.7 million or 163.4% from the year ended 31 December 2018 (“**FY 2018**”). Revenue from intelligent railway transportation services and infrastructure informatisation services accounted for approximately 84.5% and 15.5% of the total revenue, respectively.

The Group mainly operates its businesses in Mainland China and Hong Kong. For FY 2019, the Group recorded revenue of approximately HK\$1,124.0 million in Mainland China, representing an increase of approximately HK\$712.3 million as compared to FY 2018. This is mainly attributed to the completion of the acquisition of 95% equity interests of Huaqi Intelligent in March 2019. Huaqi Intelligent’s results were consolidated into the Group’s results, thereby boosting the Group’s revenue in Mainland China up significantly. Meanwhile, the Group made a breakthrough in Hong Kong with revenue of approximately HK\$69.9 million, representing an increase of approximately HK\$28.4 million or 68.4% as compared to FY 2018.

Cost of sales

The Group’s cost of sales was approximately HK\$769.2 million in FY 2019, representing an increase of approximately HK\$424.8 million or 123.3% from FY 2018. The increase in cost of sales was mainly due to the increase in the cost in line with the above increased revenue.

Gross profit

The Group’s gross profit was approximately HK\$424.8 million in FY 2019, representing an increase of approximately HK\$316.0 million or 290.4% from FY 2018. The increase in gross profit was mainly due to the increase in the gross profit of the Group due to the acquisition of 95% equity interests of Huaqi Intelligent and the incorporation of its performance into the Group.

Investment income

The Group recorded an investment income of approximately HK\$25.2 million, an increase of approximately 17.8% compared to the previous year. The increase in investment income was mainly attributable to an increase in ticket revenue due to an increase in passenger flows of the Group's joint venture, Beijing Metro, and the sustainable development of the business of the Group's joint venture, Metro Science and Technology.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses were approximately HK\$249.7 million in FY 2019, representing an increase of approximately HK\$172.0 million or 221.4% from FY 2018. The increase was mainly attributable to the selling, general and administrative expenses of the newly acquired subsidiary, Huaqi Intelligent, being consolidated in the Group's results and the labour cost of the Group has increased.

Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company was approximately HK\$96.9 million in FY 2019, representing a year-on-year increase of approximately 104.4%. Earnings per share were HK\$0.046, representing a year-on-year increase of 100%.

Liquidity, financial and capital resources

Capital structure

As at 31 December 2019, the Company's issued share capital consisted of 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 31 December 2019, the Group's cash on hand and in bank were approximately HK\$850.9 million (31 December 2018: approximately HK\$1,069.6 million).

Bank borrowings and charges on the Group's assets

As at 31 December 2019, the Group's borrowing was approximately HK\$559.9 million, of which HK\$500 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司), and the remaining was bank borrowings amounted to approximately HK\$59.9 million (2018: approximately HK\$342.4 million).

Working capital and gearing ratio

As at 31 December 2019, the Group had current assets of approximately HK\$2,505.4 million (31 December 2018: approximately HK\$2,340.0 million), while its current liabilities were approximately HK\$986.9 million (31 December 2018: approximately HK\$827.8 million), resulting in net current assets of approximately HK\$1,518.5 million (31 December 2018: approximately HK\$1,512.2 million). As at 31 December 2019, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.5 (31 December 2018: approximately 2.8).

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 31 December 2019, the Group's gearing ratio was 43.7% (31 December 2018: 27.8%).

Foreign exchange exposure

The Group has six main operating subsidiaries, one was incorporated in Hong Kong and the other five were established in Mainland China. All of these subsidiaries earn revenue and incur cost in their local currencies. The Directors consider that the impact of foreign exchange exposure on the Group is minimal.

Contingent liabilities

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of 889 employees, (including the executive Directors) (31 December 2018: 316). The total staff costs, including Directors' remuneration, were approximately HK\$242 million (FY 2018: approximately HK\$119 million).

The Group reviews remuneration package annually with reference to the prevailing market conditions and staff's working performance, qualification and experience. 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 in China, contribution to the Mandatory Provident Fund scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

There were no other significant events arising subsequent to FY 2019 as at the date of this announcement.

BUSINESS PROSPECTS

The rail transit industry will maintain good development momentum

As mentioned in the “Outline of Building China into a Country with Strong Transportation Network”, China will complete various tasks about the modern comprehensive transportation system development plan for the 13th Five-Year period in 2020 and vigorously develop intelligent rail transit by promoting the in-depth integration of big data, internet, artificial intelligence (AI) and other new technologies with the transportation industry, and set up an integrated traffic big data centre system. Investments in China’s urban rail transit market tend to rise steadily in the coming years. According to the “2019 China Urban Rail Transit Market Development Report” released by China Rail Transit Network, 2020 is the final year of the 13th Five-year Plan period, and the construction and operation of urban rail transit is expected to usher in a certain amount of growth. In 2020, a total of 54 rail transit lines in 25 cities including Chengdu, Hangzhou, Shenzhen, Qingdao, Chongqing and Ningbo will commence operation, with a total mileage of 1,152.6 km, 745 stations and a total investment of RMB752.817 billion. Moreover, according to the Railway Development Plan for 13th Five-year period, China will have more than 150,000 km of railway lines by the end of 2020. It will mainly upgrade the scale of high-speed railway lines, intercity and urban (suburban) railway lines, and branch lines. The national railway network will basically cover cities with more than 200,000 permanent residents in the urban areas, and the high-speed rail network will reach more than 80% of big cities.

The Group’s revenue mainly came from the provision of PIS, AFC and other information-based systems used in the construction of new railway lines and urban rail transit lines. The market demand was closely related to the total length of the new metro lines. Moreover, as a growing number of metro lines have been put into operation, the rail transit in many first and second-tier cities showed a new trend of network-based operation and management. Therefore, new network-level systems, including ACC, TCC and big data centre, should be urgently established for unified scheduling and management in these cities. The new fast-growing demands have brought new business opportunities for the Group.

Intelligent rail transit accelerates the construction of smart cities

China has successively released many policies, including “National New Urbanisation Plan (2014-2020)”, “Guidelines for Promoting Healthy Development of Smart Cities” and “Action Plan for Promoting Development of Intelligent Transportation in 2017-2020”. With the development of smart cities and widely application of Internet of Things (IoT), cloud computing, big data and other new technologies, the operation of intelligent rail transit driven by new-generation information technologies will become one of the main symbols of smart cities. As stipulated in the “Outline of Medium-to-Long-Term Plan for the Development of Science and Technology (2006-2020)”, priorities should be given to “high-speed rail transit system” and “intelligent traffic management system”. The intelligent rail transit system is a comprehensive platform based on the power/electrification system, signal/communications system, and information system, which is an inevitable trend for the development of modern rail transit.

The intelligent upgrade of the rail transit in mainland China brought a series of new function needs, including system architecture (such as cloud platform and big data analysis), payment methods (such as facial recognition payment, mobile QR code payment, and UnionPay card payment), operation management (such as intelligent monitoring, passenger navigation, passenger flow perception and driving fatigue identification). The Group will actively extend the function of its products, enhance product performance and create more economic value added in the future.

The Group focuses on certain businesses, trying to achieve collaborative innovation and sustained growth

The Group, an enterprise specialising in the field of rail transit, integrating investment and financing, technology R&D, and intelligent rail transport construction, operation and maintenance, will fully grasp the golden development opportunities of the rail transit industry, keep up with the development trends of rail transit informatisation and intelligentisation, continue relying on scientific and technological innovation, and resolutely insist on its market expansion strategy around the main rail transit business to achieve high-quality and sustainable development, in order to grow into a high-tech enterprise with strong core competencies in the rail transit industry.

Insist on scientific and technological innovation to help build intelligent rail transit

By virtue of its technology R&D advantage, its insight in the rail transit industry and rich experience in the industry, and based on the rapid development of new-generation information technologies like big data, cloud computing, IoT and AI, mobile payments and other new tools, the Group will insist on scientific and technological innovation and set up a system of key technologies and products for intelligent rail transit that centres on a “standard big data architecture for rail transit”, including a rail transit big data platform, an intelligent passenger information service platform, an intelligent operation, maintenance and scheduling platform, a comprehensive multi-dimensional asset management platform, intelligent interconnection sensing equipment, an interactive fusion information display platform, as well as a security interconnection control platform. At the same time, the Group will be deeply involved in the design, construction, operation and maintenance of Beijing’s intelligent rail transit platform, aiming to become the most important intelligent system service provider for the city’s intelligent subway and smart trains. Riding on Beijing’s intelligent rail transit platform, the Group will launch a set of “Deliver 1.0” intelligent system solutions based on cloud computing and big data in 2021, standardise the application of intelligent technologies and promote Beijing’s new intelligent rail transit model across the country to help build smart cities. In addition, as a council member of the China Association of Metros, the Group will strengthen academic communication and exchange with owners, users, industry experts and high-end technical teams, accurately grasp the development trend of cutting-edge technologies, keep high-end technical resources in reserve, and create an ecosystem of collaborative innovation for intelligent rail transit.

Keep focusing on primary businesses and extend industry chains to achieve balanced development

The Group will continue to focus on the development of network-level traffic control centre and line-level core systems of the intelligent rail transit. Specifically, the Group will improve passenger-centric PIS service to solidify its leading position in the industry. It will develop standardised products to upgrade cloud computing-based AFC service and accelerate its pace to become one of the first-tier companies. It will further upgrade the TCC service centering on data analysis to build an advantage for the data centre. Besides, the Group will optimise the deployment of civil communications resources to achieve business diversification. At the same time, establishment of a whole-industry-chain development model will continue as the Group will extend its services to rail transit operation and maintenance, management informatisation and so forth in the aftermarket. The Group's self-developed products and technologies will be applied in multi-scenarios. Technological achievements in intelligent rail transit will be used in ecological fields such as intelligent control systems for utility tunnels. The Group will aim to expand its business in the direction of achieving high technology content, high added-value and stable cash flows. These will help the Group to achieve technology symbiosis, ecological win-win results, and move towards a balanced and sustainable business development.

Remain steadfast in its strategies to consolidate the existing markets and expand into new markets

As the number of cities where rail transit lines have come into service and the length of rail transit lines are on the rise, the Group will insist on its market strategy of “relying on Beijing and Hong Kong, radiating across the country, and making presence in international markets”. It will deepen its presence in Beijing and Hong Kong and constantly explore potential opportunities to expand its footprint to other Chinese cities and create emerging regional hubs like Zhengzhou. Measures will be made to further diversify its businesses and increase its market share. The Group will also expand into overseas markets, including countries along the “Belt and Road”.

Actively respond to the epidemic and consolidate the foundation for sustainable development

The novel coronavirus pneumonia emerged in mainland China in January 2020 and quickly spread to more than 70 countries and regions, particularly affecting the tourism, catering and transportation industries. In order to deal with the impact caused by the epidemic, the Group adopted an “offline + remote” working method to maintain good communication with customers and suppliers, ensured that business progress was not interrupted, and steadily promoted resumption of on-going projects. The Group adopted various measures within the Group to reduce the cost and increase efficiency. The Group actively fulfilled its corporate social responsibility and donated RMB1 million to Wuhan Charity Federation* (武漢市慈善總會). After careful analysis and judgment, the current situation of epidemic prevention and control in mainland China has shown a trend of continuous improvement and the order of production and life have also started to recover. Meanwhile, the Group's current asset-liability ratio is relatively reasonable and the cash on book remains sufficient. The epidemic will not affect the Group's sustainability. Overall, the current epidemic situation has limited impact on the Group's operating performance. In terms of opportunities, it is expected that after the end of the outbreak, mainland China will increase investment in infrastructure in the second half of 2020, including intercity high-speed rail and urban rail transit, which are part of the “new infrastructure”. This will provide more market opportunities for the Group.

In the future, the Group will keep up with industry development trends and remain steadfast in its strategies. The focus will still fall on its core businesses. Driven by innovation, it will create a flagship brand based on “rail+technology”, in order to strive for better results.

AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. On 25 December 2018, the Board adopted the further revised written terms of reference which became effective on the same date. 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 forth in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”).

The primary duties of the Audit Committee, among other things, are (i) to 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 31 December 2019, the Audit Committee consists of three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s annual results for 2019 financial year and recommended to the Board for approval.

SCOPE OF WORK OF KPMG ON THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in this annual results announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code as its code of corporate governance. The Company has complied with the Corporate Governance Code for 2019 financial year.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the shareholders of the Company, the Board recommended the declaration of a final dividend of HK\$0.02 per share for 2019 financial year (FY 2018: HK\$0.01 per share). The proposed final dividend will be payable to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 4 June 2020, subject to the approval of the shareholders of the Company at the 2020 annual general meeting (“**2020 AGM**”). It is expected that the final dividend will be paid on or before Monday, 31 August 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2020 AGM to be held on Tuesday, 26 May 2020, the register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2020 (Hong Kong time).

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders of the Company at the 2020 AGM), the register of members of the Company will be closed from Tuesday, 2 June 2020 to Thursday, 4 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020 (Hong Kong time).

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Tuesday, 26 May 2020. Shareholders of the Company should refer to details regarding the 2020 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been published on the website of the Company at www.biitt.cn and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2019 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

CHANGE IN MEMBER OF THE REMUNERATION COMMITTEE

The Board announces that with effect from 30 March 2020, Mr. Cao Wei has resigned as a member of the remuneration committee (the “**Remuneration Committee**”) of the Company as he would like to spend more time on his other commitments. Mr. Guan Jifa, a non-executive Director, has been appointed as a member of the Remuneration Committee with effect from 30 March 2020.

Mr. Cao Wei will remain as an executive Director following his resignation as a member of the Remuneration Committee.

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

Hong Kong, 30 March 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.*