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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 2018**

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 2018.

The condensed consolidated interim financial information contained in this announcement is unaudited and is extracted from the Group’s unaudited consolidated financial statements for the six months ended 30 June 2018. The Group’s unaudited consolidated financial statements for the six months ended 30 June 2018 have been reviewed by KPMG, the Company’s independent auditor, in accordance with the 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, and by the Company’s audit committee (the “Audit Committee”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2018 – unaudited**(Expressed in Hong Kong dollars (“HK\$”))*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2018</b>	2017
		<b>HK\$'000</b>	<b>HK\$'000</b>
			<i>(Note)</i>
<b>Revenue</b>	4	<b>137,161</b>	214,707
Cost of sales		<b>(99,863)</b>	(159,151)
<b>Gross profit</b>	4(b)	<b>37,298</b>	55,556
Other income		<b>17,499</b>	4,783
Selling, general and administrative expenses		<b>(42,458)</b>	(31,080)
<b>Profit from operations</b>		<b>12,339</b>	29,259
Share of profits/(losses) of joint ventures and an associate		<b>3,728</b>	(5,864)
<b>Profit before taxation</b>	5	<b>16,067</b>	23,395
Income tax	6	<b>3,346</b>	(5,128)
<b>Profit for the period</b>		<b>19,413</b>	18,267
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>19,323</b>	17,521
Non-controlling interests		<b>90</b>	746
<b>Profit for the period</b>		<b>19,413</b>	18,267
<b>Earnings per share</b>			
– Basic (HK\$)	7(a)	<b>0.0092</b>	0.0083
– Diluted (HK\$)	7(b)	<b>0.0092</b>	0.0083

*Note:* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, 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 2018 – unaudited*

*(Expressed in HK\$)*

	<b>Six months ended 30 June</b>	
	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i> <i>(Note)</i>
<b>Profit for the period</b>	<b>19,413</b>	18,267
<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>(6,166)</u>	<u>23,686</u>
<b>Total comprehensive income for the period</b>	<b><u>13,247</u></b>	<b><u>41,953</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>13,410</b>	40,587
Non-controlling interests	<u>(163)</u>	<u>1,366</u>
<b>Total comprehensive income for the period</b>	<b><u>13,247</u></b>	<b><u>41,953</u></b>

*Note:* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited

(Expressed in HK\$)

	Note	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000 (Note)
<b>Non-current assets</b>			
Property, plant and equipment		118,731	120,112
Intangible assets		114,595	125,375
Goodwill		64,839	65,397
Interests in joint ventures and an associate		398,076	394,828
Deferred tax assets		34,638	25,411
		<u>730,879</u>	<u>731,123</u>
<b>Current assets</b>			
Available-for-sale debt investments		–	116,760
Inventories and other contract costs		99,606	78,581
Contract assets	8(a)	401,869	–
Trade and other receivables	9	129,226	657,783
Cash and cash equivalents		1,106,049	1,128,780
Other financial assets		178,813	–
		<u>1,915,563</u>	<u>1,981,904</u>
<b>Current liabilities</b>			
Trade and other payables	10	330,675	437,580
Contract liabilities	8(b)	69,195	–
Current taxation		34,801	37,230
		<u>434,671</u>	<u>474,810</u>
<b>Net current assets</b>		<u>1,480,892</u>	<u>1,507,094</u>
<b>Total assets less current liabilities</b>		2,211,771	2,238,217
<b>Non-current liabilities</b>			
Deferred tax liabilities		20,420	24,108
<b>NET ASSETS</b>		<u>2,191,351</u>	<u>2,214,109</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	21,048	21,048
Reserves		2,152,052	2,173,028
<b>Total equity attributable to equity shareholders of the Company</b>		<u>2,173,100</u>	<u>2,194,076</u>
<b>Non-controlling interests</b>		18,251	20,033
<b>TOTAL EQUITY</b>		<u>2,191,351</u>	<u>2,214,109</u>

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited

(Expressed in HK\$)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Treasury share reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2017</b>	21,062	1,859,467	30,891	19,462	(81,237)	–	255,054	2,104,699	11,828	2,116,527
<b>Changes in equity for the six months ended 30 June 2017:</b>										
Profit for the period	–	–	–	–	–	–	17,521	17,521	746	18,267
Other comprehensive income	–	–	–	–	23,066	–	–	23,066	620	23,686
Total comprehensive income	–	–	–	–	23,066	–	17,521	40,587	1,366	41,953
Shares issued under share option scheme	36	3,897	(694)	–	–	–	–	3,239	–	3,239
Equity-settled share-based transactions	–	–	66	–	–	–	–	66	–	66
Purchase of own shares	–	–	–	–	–	(2,574)	–	(2,574)	–	(2,574)
	36	3,897	(628)	–	–	(2,574)	–	731	–	731
<b>Balance at 30 June 2017</b>	<b>21,098</b>	<b>1,863,364</b>	<b>30,263</b>	<b>19,462</b>	<b>(58,171)</b>	<b>(2,574)</b>	<b>272,575</b>	<b>2,146,017</b>	<b>13,194</b>	<b>2,159,211</b>
<b>Balance at 1 July 2017</b>	21,098	1,863,364	30,263	19,462	(58,171)	(2,574)	272,575	2,146,017	13,194	2,159,211
<b>Changes in equity for the six months ended 31 December 2017:</b>										
Profit for the period	–	–	–	–	–	–	21,033	21,033	5,940	26,973
Other comprehensive income	–	–	–	–	29,803	–	–	29,803	899	30,702
Total comprehensive income	–	–	–	–	29,803	–	21,033	50,836	6,839	57,675
Equity-settled share-based transactions	–	–	497	–	–	–	–	497	–	497
Appropriation to reserves	–	–	–	5,716	–	–	(5,716)	–	–	–
Purchase of own shares	–	–	–	–	–	(3,274)	–	(3,274)	–	(3,274)
Cancellation of shares	(50)	(5,798)	–	–	–	5,848	–	–	–	–
	(50)	(5,798)	497	5,716	–	2,574	(5,716)	(2,777)	–	(2,777)
<b>Balance at 31 December 2017 (Note)</b>	<b>21,048</b>	<b>1,857,566</b>	<b>30,760</b>	<b>25,178</b>	<b>(28,368)</b>	<b>–</b>	<b>287,892</b>	<b>2,194,076</b>	<b>20,033</b>	<b>2,214,109</b>

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2018</b>	<b>21,048</b>	<b>1,857,566</b>	<b>30,760</b>	<b>25,178</b>	<b>(28,368)</b>	<b>287,892</b>	<b>2,194,076</b>	<b>20,033</b>	<b>2,214,109</b>
Impact on initial application of IFRS 9	-	-	-	-	-	(13,338)	(13,338)	(1,619)	(14,957)
<b>Adjusted balance at 1 January 2018</b>	<b>21,048</b>	<b>1,857,566</b>	<b>30,760</b>	<b>25,178</b>	<b>(28,368)</b>	<b>274,554</b>	<b>2,180,738</b>	<b>18,414</b>	<b>2,199,152</b>
<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 current year	-	(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>

*Note:* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000 (Note)
<b>Operating activities</b>		
Cash generated from operations	41,068	30,174
Interest income received	11,178	917
Income tax paid	(8,093)	(5,367)
<b>Net cash generated from operating activities</b>	<b>44,153</b>	<b>25,724</b>
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment	(5,551)	(1,009)
Proceeds from disposal of property, plant and equipment	691	–
Capital contributions into joint ventures	–	(58,071)
Payment for the purchase of debt investments	(481,159)	(595,238)
Proceeds from sale of debt investments	420,104	582,290
<b>Net cash used in investing activities</b>	<b>(65,915)</b>	<b>(72,028)</b>
<b>Financing activities</b>		
Payment for purchase of own shares	–	(2,574)
Proceeds from the exercise of share options	–	3,239
<b>Net cash generated from financing activities</b>	<b>–</b>	<b>665</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(21,762)</b>	<b>(45,639)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,128,780</b>	<b>1,118,431</b>
<b>Effect of foreign exchange rate changes</b>	<b>(969)</b>	<b>3,064</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,106,049</b>	<b>1,075,856</b>

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

## NOTES

(Expressed in HK\$ unless otherwise indicated)

### 1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012. The listing of the Company’s shares were transferred from GEM to the Main Board of the Stock Exchange on 6 December 2013. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2018 comprises the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in joint ventures and an associate. The principal activities of the Group are the design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the services of civil communication transmission systems for use in public transportation systems to telecommunication companies, and the investment in new business in the railway transportation areas through investing in joint ventures and associates.

### 2 BASIS OF PREPARATION

This interim unaudited condensed consolidated financial information for the six months ended 30 June 2018 (the “Interim Financial Information”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standard Board (“the IASB”). It was authorised for issue on 28 August 2018.

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

This 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 2017 that is included in this Interim Financial Information as comparative information does not constitute the Company’s statutory consolidated financial statements for that financial year but is derived from those financial statements. The financial statements for the year ended 31 December 2017 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

### 3 CHANGES IN ACCOUNTING POLICIES

#### (a) Overview

The IASB has issued a number of new IFRSs and several amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in Note 3(b) for IFRS 9 and Note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and/or IFRS 15:

	At 31 December 2017 HKD\$'000	Impact on initial application of IFRS 9 HKD\$'000 (Note 3(b))	Impact on initial application of IFRS 15 HKD\$'000 (Note 3(c))	At 1 January 2018 HKD\$'000
Available-for-sale debt investments	116,760	(116,760)	–	–
Contract assets	–	(9,733)	374,082	364,349
Trade and other receivables	657,783	(10,201)	(374,082)	273,500
Other financial assets	–	116,760	–	116,760
<b>Total current assets</b>	<b>1,981,904</b>	<b>(19,934)</b>	<b>–</b>	<b>1,961,970</b>
Deferred tax assets	25,411	4,977	–	30,388
<b>Total non current assets</b>	<b>731,123</b>	<b>4,977</b>	<b>–</b>	<b>736,100</b>
Contract liabilities	–	–	33,312	33,312
Trade and other payables	437,580	–	(33,312)	404,268
<b>Total current liabilities</b>	<b>474,810</b>	<b>–</b>	<b>–</b>	<b>474,810</b>
<b>Net current assets</b>	<b>1,507,094</b>	<b>(19,934)</b>	<b>–</b>	<b>1,487,160</b>
<b>Total assets less current liabilities</b>	<b>2,238,217</b>	<b>(14,957)</b>	<b>–</b>	<b>2,223,260</b>
<b>Net assets</b>	<b>2,214,109</b>	<b>(14,957)</b>	<b>–</b>	<b>2,199,152</b>
Reserves	2,173,028	(13,338)	–	2,159,690
<b>Total equity attributable to equity shareholders of the Company</b>	<b>2,194,076</b>	<b>(13,338)</b>	<b>–</b>	<b>2,180,738</b>
Non-controlling interests	20,033	(1,619)	–	18,414
<b>Total equity</b>	<b>2,214,109</b>	<b>(14,957)</b>	<b>–</b>	<b>2,199,152</b>

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) **IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation***

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

HK\$'000

**Retained earnings**

Recognition of additional expected credit losses on	
– Trade receivables	(10,201)
– Contract assets	(9,733)
Related tax	4,977
	<hr/>
Net decrease in retained earnings at 1 January 2018	(14,957)

**Non-controlling interests**

Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	(1,619)
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Further details of the nature and effect of the changes on previous accounting policies and the transition approach are set out below:

(i) ***Classification of financial assets and financial liabilities***

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	<b>IAS 39 carrying amount at 31 December 2017 HK\$'000</b>	<b>Reclassification HK\$'000</b>	<b>Remeasurement HK\$'000</b>	<b>IFRS 9 carrying amount at 1 January 2018 HK\$'000</b>
<b>Financial assets carried at amortised cost</b>				
Cash and cash equivalents	1,128,780	–	–	1,128,780
Trade and other receivables (Note (i))	<u>657,783</u>	<u>(374,082)</u>	<u>(10,201)</u>	<u>273,500</u>
<b>Financial assets carried at FVPL</b>				
Other financial assets (Note (ii))	<u>–</u>	<u>116,760</u>	<u>–</u>	<u>116,760</u>
<b>Financial assets classified as available-for-sale under IAS 39</b>				
Available-for-sale debt investments (Note (ii))	<u>116,760</u>	<u>(116,760)</u>	<u>–</u>	<u>–</u>

*Notes:*

- (i) Trade and other receivables of HK\$374,082,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15 (see Note 3(c)).
- (ii) Under IAS 39, unlisted debt investments were classified as available-for-sale financial assets. They are classified as at FVPL under IFRS 9.

The measurement categories for all financial liabilities remain the same.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

**(ii) Credit losses**

IFRS 9 replaces the “incurred loss” model in IAS 39 with the expected credit losses (ECLs) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including trade and other receivables and cash and cash equivalents);
- contract assets as defined in IFRS15 (see Note 3(c)).

Debt investments measured at FVPL are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

#### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

*Basis of calculation of interest income on credit-impaired financial assets*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

*Opening balance adjustment*

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	<i>HK\$'000</i>
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018	
– Trade and other receivables	10,201
– Contract assets	9,733
	<hr/>
Loss allowance at 1 January 2018 under IFRS 9	<u>19,934</u>

**(iii) Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

**(c) IFRS 15, Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The transition to IFRS 15 does not have any material impact on retained earnings and reserves and related tax impact at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

**(i) Presentation of contract assets and liabilities**

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to service contracts in progress were presented in the statement of financial position under “trade and other receivables” and “trade and other payables” respectively.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

- “Gross amounts due from customers for contract work” and “trade receivables” amounting to HK\$367,662,000 and HK\$6,420,000 respectively, which were previously included in trade and other receivables are now included under contract assets.
- “Receipt in advance” amounting to HK\$33,312,000 which were previously included in trade and other payables are now included under contract liabilities.

**(d) IFRIC 22, Foreign currency transactions and advance consideration**

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

#### 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:

	<u>Six months ended 30 June</u>	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major service lines		
– Intelligent railway transportation	<b>68,115</b>	158,473
– Civil communication transmission	<b>69,046</b>	56,234
	<b>137,161</b>	214,707
Disaggregated by geographical location of customers		
– Mainland China	<b>121,605</b>	196,686
– Hong Kong	<b>15,556</b>	18,021
	<b>137,161</b>	214,707

*Note:* The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see Note 3(c)).

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

**(b) Segment reporting**

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

- Intelligent railway transportation: this segment provides design, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts.
- Civil communication transmission: this segment provides civil communication transmission services.
- Business development investment: this segment manages the equity investments in railway transportation 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 expenses 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 2018 and 2017. The Group's other income and expense items, such as other income, selling, general and administrative expenses, 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 2018 and 2017 is set out below.

	Six months ended 30 June 2018			Total HK\$'000
	Intelligent railway transportation HK\$'000	Civil communication transmission HK\$'000	Business development investment HK\$'000	
<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>

	Six months ended 30 June 2017			
	Intelligent railway transportation <i>HK\$'000</i>	Civil communication transmission <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	134,194	–	–	134,194
Over time	24,279	56,234	–	80,513
Revenue from external customers and reportable segment revenue	<u>158,473</u>	<u>56,234</u>	<u>–</u>	<u>214,707</u>
Reportable segment gross profit	<u>35,192</u>	<u>20,364</u>	<u>–</u>	<u>55,556</u>
Share of losses of joint ventures and an associate	<u>–</u>	<u>–</u>	<u>(5,864)</u>	<u>(5,864)</u>

*Note:* The Group has initially applied IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS11 (see Note 3(c)).

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

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reportable segment gross profit	37,298	55,556
Share of profits/(losses) of joint ventures and an associate	3,728	(5,864)
Other income	17,499	4,783
Selling, general and administrative expenses	<u>(42,458)</u>	<u>(31,080)</u>
Profit before taxation	<u>16,067</u>	<u>23,395</u>

**5 PROFIT BEFORE TAXATION**

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

(a) **Staff costs:**

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, wages and other benefits	41,945	33,962
Contributions to defined retirement plans	4,890	3,913
Equity-settled share-based payment expenses	<u>–</u>	<u>607</u>
	<u>46,835</u>	<u>38,482</u>

(b) Other items:

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Cost of inventories	16,359	88,494
Depreciation and amortisation	23,850	20,632
Operating lease charges in respect of office premises	4,135	3,977
Interest income	(11,178)	(917)
Investment income	(2,772)	(1,791)
Debt investments fair value change	(1,372)	–
Net foreign exchange loss/(gain)	1,278	(1,360)
Net (gain)/loss on disposal of property, plant and equipment	(517)	7

6 INCOME TAX

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Current taxation:</b>		
– Hong Kong profits tax	284	571
– PRC corporate income tax	5,380	5,765
	<u>5,664</u>	<u>6,336</u>
<b>Deferred taxation:</b>		
– Origination and reversal of temporary differences	(5,127)	(1,208)
– Change in tax rate	(3,883)	–
	<u>(9,010)</u>	<u>(1,208)</u>
	<u>(3,346)</u>	<u>5,128</u>

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong profits tax rate of 16.5% for the six months ended 30 June 2018 (six months ended 30 June 2017: 16.5%). The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC corporate income tax rate of 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 25%) except for certain subsidiaries enjoyed a preferential PRC corporate income tax rate of 15%.

## 7 BASIC AND DILUTED EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$19,323,000 (six months ended 30 June 2017: HK\$17,521,000) and the weighted average of 2,104,787,000 ordinary shares (six months ended 30 June 2017: 2,108,262,000 ordinary shares) in issue during the six months 30 June 2018, calculated as follows:

Weighted average number of ordinary shares:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1 January	<b>2,104,787</b>	2,106,155
Effect of shares issued under share option scheme	–	2,164
Effect of shares repurchased	–	(57)
	<b>2,104,787</b>	<b>2,108,262</b>

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2018 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$19,323,000 (six months ended 30 June 2017: HK\$17,521,000) and the weighted average number of ordinary shares (diluted) of 2,104,787,000 (six months ended 30 June 2017: 2,111,653,000 ordinary shares (diluted)), calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares at 30 June	<b>2,104,787</b>	2,108,262
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	3,391
	<b>2,104,787</b>	<b>2,111,653</b>

## 8 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i> <i>(Note (i))</i>
<b>Contract assets</b>		
Arising from performance under contracts with customers	411,602	–
Less: loss allowance	<u>(9,733)</u>	<u>–</u>
	<b><u>401,869</u></b>	<b><u>–</u></b>

#### Notes:

- (i) The Group has initially adopted IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.
- (ii) Upon the adoption of IFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional ECLs on contract assets. This has resulted in a decrease in this balance as at that date (see Note 3(b)).
- (iii) Upon the adoption of IFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of retention period, were reclassified from "Trade and bills receivables" to contract assets (see Note 3(c)).

### (b) Contract liabilities

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i> <i>(Note (i))</i>
<b>Contract liabilities</b>		
Construction contracts		
– Billings in advance of performance	<u>69,195</u>	<u>–</u>

- (i) The Group has initially adopted IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.
- (ii) Upon the adoption of IFRS 15, amounts previously presented as "Receipts in advance" under "Trade and other payables" were reclassified to contract liabilities (see Note 3(c)).

## 9 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Trade receivables due from ( <i>Note: 9(a)</i> ):		
– third parties	87,684	252,660
– the ultimate holding company of the Company	–	170
– an affiliate of an equity shareholder of the Company	16,686	89,383
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	9,783	21,893
Bills receivable	–	6,241
	<u>114,153</u>	<u>370,347</u>
Gross amount due from customers for contract work ( <i>Note</i> ):		
– third parties	–	186,056
– an affiliate of an equity shareholder of the Company	–	57,439
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	–	11,168
	<u>–</u>	<u>254,663</u>
Amounts due from related parties ( <i>Note: 9(b)</i> ):		
– equity shareholders of the Company and their affiliates	236	220
– a joint venture	1,374	1,374
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	593	957
	<u>2,203</u>	<u>2,551</u>
Less: loss allowance	(10,201)	–
Prepayments, deposits and other receivables	<u>23,071</u>	<u>30,222</u>
	<u>129,226</u>	<u>657,783</u>

*Note:* As a result of the adoption of IFRS 15, gross amount due from customers for contract work is included in contract assets (see Note 3(c)).

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 <b>30 June</b> <b>2018</b> <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
Within 1 year	<b>79,867</b>	210,726
Over 1 year	<b>34,286</b>	159,621
	<b><u>114,153</u></b>	<b><u>370,347</u></b>

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 the 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 the 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 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
Trade payables due to third parties ( <i>Note: 10(a)</i> )	275,760	317,782
Bills payable( <i>Note: 10(a)</i> )	<u>7,435</u>	<u>23,816</u>
	<u>283,195</u>	<u>341,598</u>
Amounts due to related parties ( <i>Note: 10(b)</i> ):		
– an affiliate of an equity shareholder of the Company	2,783	723
– a non-controlling equity holder of a subsidiary of the Group	<u>5,400</u>	<u>5,400</u>
	<u>8,183</u>	<u>6,123</u>
Dividends payable	21,048	–
Accrued expenses and other payables	<u>11,481</u>	<u>29,631</u>
Financial liabilities measured at amortised cost	<u>323,907</u>	<u>377,352</u>
Other taxes payables	<u>6,768</u>	<u>26,916</u>
Receipts in advance from ( <i>Note</i> ):		
– third parties	–	23,743
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	<u>–</u>	<u>9,569</u>
	<u>–</u>	<u>33,312</u>
	<u>330,675</u>	<u>437,580</u>

*Note:* As a result of the adoption of IFRS 15, receipts in advance are included in contract liabilities (see Note 3(c)).

At 30 June 2018, 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 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Due within 1 month or on demand	275,760	318,754
Due after 1 month but within 6 months	7,435	22,844
	<u>283,195</u>	<u>341,598</u>

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

The amounts are unsecured and non-interest bearing. Except for an amount of HK\$5,400,000 at 30 June 2018 (31 December 2017: HK\$5,400,000) which is repayable within one year, all of the remaining balances have no fixed terms of repayment.

**11 CAPITAL, RESERVES AND DIVIDENDS**

(a) **Dividends**

(i) *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 2018 (six months ended 30 June 2017: Nil).

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

	2018 HK\$'000	2017 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$1 cent per ordinary share (2017: Nil)	<u>21,048</u>	<u>–</u>

(b) **Terms of unexpired and unexercised share options at the end of the reporting period**

Exercise period	Exercise price	At 30 June 2018 Number '000
31 December 2014 to 30 December 2018	HK\$1.080	2,428
31 December 2015 to 30 December 2018	HK\$1.080	6,210
31 December 2016 to 30 December 2018	HK\$1.080	4,362
5 December 2015 to 4 December 2019	HK\$2.690	3,180
5 December 2016 to 4 December 2019	HK\$2.690	7,950
5 December 2017 to 4 December 2019	HK\$2.690	4,770
		<u>28,900</u>

Each share option entitles the holder to subscribe for one ordinary share in the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The year of 2018 is the year of the implementation of the 13th Five-Year Plan, and it is also a crucial year for the vigorous development of rail transit. According to the statistics of China Rail Transit Network, as of the first half of 2018, the number of urban rail transit projects under construction in mainland China reached 233, distributed in 69 cities including Chengdu, Beijing, Guangzhou and Hangzhou, with a total mileage of 6,018.29 kilometers and 4,003 stations. The total investment amount is as high as RMB3.62 trillion yuan. In the first half of 2018, the total passenger flow of Beijing railway transit network was approximately 1.838 billion, representing an increase of 14 million or approximately 0.76% as compared to 1.824 billion in the corresponding period of 2017, and the average daily passenger flow reached 10,154,400.

In the first half of 2018, the Group firmly grasped the development opportunity of urban rail transit construction, and solidified its basic business to actively expand the line system service projects such as Beijing Metro Line 6, Line 9, Line 14, Pinggu Line, Xijiao Line and the others and the maintenance of Automatic Fare Collection System (“AFC”) of the Kowloon Motor Bus Co. (1933) Ltd (九龍巴士(一九三三)有限公司). The Group also actively explored new business and successively won the Beijing World Expo Association Gallery Support System Project, the New Airport Line Expressway Toll System Project, the Passenger Information System (“PIS”) Project of Nanning Metro Line 3, and the Zhengzhou Rail Transit Project of Automatic Fare Collection Network Control Centre System.

During the first half of 2018, the Group’s businesses mainly focused on three business segments: firstly, intelligent railway transportation services; secondly, civil communication transmission services; thirdly, business development investment. The respective descriptions of the three related business segments are set out as follows:

### Intelligent railway transportation services

Intelligent railway transportation services mainly represent, among others, design, testing, installation, debugging, integration, upgrading and replacement of railway transportation application solutions and associated systems; sale of self-developed software products relating to railway transportation application solutions; sale of hardware and spare parts relating to railway transportation application solution systems; repair and maintenance of application solution systems developed by the Group as well as other software developers. During the interim period, the Group’s revenue from intelligent railway transportation was mainly derived from the intelligent card maintenance project for Citybus Limited (城巴有限公司) and New World First Bus Services Limited (新世界第一巴士服務有限公司), Surveillance Centre Project of Phase II Beijing Fare Renovation Project of Beijing Metro Network Administration Co., Ltd\* (北京軌道交通路網管理有限公司) (“Beijing Metro Network”), the Automatic Fare Collection System Clearing Centre Project for Phase I of the No.1 line of Changchun Subway, the operation and maintenance of production systems and technology service project for Beijing Metro Network, the project of replacing the AFC Ticket Checking Machines in the stations and platforms of Light Rail of MTR Corporation Limited (香港鐵路有限公司), and the suburb railway project in Beijing.

## **Civil communication transmission services**

Civil communication transmission services mainly represent the provision of communication information transmission services to mobile operators. During the first half of 2018, the Group's revenue from the business of civil communication transmission services was mainly derived from the 2G, 3G and 4G transmission services of civil communication transmission systems set up in 180 stations of 17 subway lines of the Beijing Subway and the 4G transmission services of the new subway line – Phase II of Changping line. Civil communication transmission services business will continue to bring stable income to the Group in the future.

## **Business development investment**

Business development investment mainly represents equity investment, new business development through investing in joint ventures and associates and the acquisition of investment income through equity participation. During the first half of 2018, the Group's revenue from business development investment was mainly derived from Beijing Metro Co., Ltd.\* (北京京城地鐵有限公司) (“Beijing Metro”) and Beijing Metro Science and Technology Development Co., Ltd.\* (北京地鐵科技發展有限公司) (“Metro Science and Technology”), both are joint ventures of the Group. Beijing Metro, a joint venture, completed the acquisition of the 30-year operating income right of the Beijing Subway Airport Express Line and floors two to six of Dongzhimen Terminal, and recorded a substantial increase in revenue as compared to the corresponding period of the previous year while Metro Science and Technology also posted a significant increase in revenue as compared to the corresponding period of previous year due to the further development of business.

## **Financial review**

The Group's revenue decreased by approximately 36% from approximately HK\$214.7 million for the six months ended 30 June 2017 to approximately HK\$137.2 million for the six months ended 30 June 2018, while the Group's cost of sales decreased by approximately 37% from approximately HK\$159.2 million for the six months ended 30 June 2017 to approximately HK\$99.9 million for the six months ended 30 June 2018, resulting in a decrease in the Group's gross profit by approximately 33% from approximately HK\$55.5 million for the six months ended 30 June 2017 to approximately HK\$37.3 million for the six months ended 30 June 2018.

Taking into account the effects of other revenue, other net loss, overhead expenses, investment gain and loss, income tax and non-controlling interests, the net profit attributable to equity shareholders of the Company increased by approximately 10% from approximately HK\$17.5 million for the six months ended 30 June 2017 to approximately HK\$19.3 million for the six months ended 30 June 2018.

## **Revenue**

The Group recorded revenue of approximately HK\$68.1 million from intelligent railway transportation services for the six months ended 30 June 2018, representing a decrease of approximately 57% as compared to approximately HK\$158.5 million for the six months ended 30 June 2017. Certain projects which will greatly affect the revenue of the Group will be centrally recognised during the second half year of 2018 based on the specific progress requirements of the projects, including, among others, Smart Card Renovation Project of Beijing-Tianjin-Hebei, Phase III of AFC Project of Beijing Line No. 8 of Beijing Subway Project and Inspection Centre Renovation Project.

The Group recorded revenue of approximately HK\$69.0 million from civil communication transmission service for the six months ended 30 June 2018, representing an increase of approximately 23% as compared to approximately HK\$56.2 million for the six months ended 30 June 2017. The increase was mainly attributable to fluctuation of exchange rate and the revenue contributed by the additional 4G transmission service from the civil communication assets of four subway lines acquired by the Group in November 2016.

## **Cost of sales**

The Group's cost of sales decreased by approximately 37% from approximately HK\$159.2 million for the six months ended 30 June 2017 to approximately HK\$99.9 million for the six months ended 30 June 2018. The Group's revenue was mainly generated from the provision of system integration related application solution services, and provision of operation and maintenance and civil communication transmission services, of which the costs were mainly related to equipment procurement, direct labour force, and maintenance cost and depreciation of civil communication transmission systems. The decrease in cost of sales was mainly due to the decrease in sales revenue.

## **Gross profit**

The Group's gross profit decreased by approximately 33% from approximately HK\$55.5 million for the six months ended 30 June 2017 to approximately HK\$37.3 million for the six months ended 30 June 2018. The decrease in gross profit for the six months ended 30 June 2018 as compared to the corresponding period in 2017 was mainly due to the decrease in revenue while change in the overall gross profit margin was minor as compared to the corresponding period of the previous year.

## **Investment income**

The Group recorded an increase in investment income of approximately HK\$9.6 million from a loss of approximately HK\$5.9 million for the six months ended 30 June 2017 to approximately HK\$3.7 million for the six months ended 30 June 2018. The investment income was mainly derived from the joint ventures, namely Beijing Metro and Metro Science and Technology. The increase in investment income of Beijing Metro as compared to the corresponding period of the previous year was mainly attributable to the fact that Beijing Metro completed the acquisition of the 30-year operating income right of the Beijing Subway Airport Express Line and floors two to six of Dongzhimen Terminal, which brought significant increase in income, and Metro Science and Technology recorded a significant increase in income as compared to the corresponding period of the previous year, which was due to the further development of its businesses.

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

The Group's selling, general and administrative expenses increased by approximately 37% from approximately HK\$31.1 million for the six months ended 30 June 2017 to approximately HK\$42.5 million for the six months ended 30 June 2018. Such increase was mainly attributable to the increase in investment in research and development.

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

The Group's profit attributable to equity shareholders of the Company increased by approximately 10% from approximately HK\$17.5 million for the six months ended 30 June 2017 to approximately HK\$19.3 million for the six months ended 30 June 2018.

## **Liquidity, Financial and Capital Resources**

### **Capital structure**

As at 30 June 2018, the Company's total number of issued shares was 2,104,786,727 ordinary shares of HK\$0.01 each (31 December 2017: 2,104,786,727 ordinary shares of HK\$0.01 each).

### **Cash position**

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately HK\$1,106.0 million (31 December 2017: approximately HK\$1,128.8 million).

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

As at 30 June 2018, the Group had no bank borrowings or charges on assets (31 December 2017: Nil).

## **Working capital and gearing ratio**

As at 30 June 2018, the Group had current assets of approximately HK\$1,915.6 million (31 December 2017: HK\$1,981.9 million), while its current liabilities were approximately HK\$434.7 million (31 December 2017: HK\$474.8 million), resulting in net current assets of approximately HK\$1,480.9 million (31 December 2017: HK\$1,507.1 million). As at 30 June 2018, current ratio, calculated based on current assets divided by current liabilities, was approximately 4.4 (31 December 2017: approximately 4.2). As at 30 June 2018, the Group had neither bank borrowings, long term debts nor trade payables incurred in the ordinary course of business, thus the gearing ratio was nil (31 December 2017: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

The Group has four main operating subsidiaries, among which, one main operating subsidiary is located in Hong Kong and the other three main operating subsidiaries are located in the Mainland China. All subsidiaries earn revenue in their local currencies. The Directors consider the impact of foreign exchange exposure of the Group is minimal.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2018, the Group had 298 employees (30 June 2017: 301). As at 30 June 2018, the total staff costs, including Directors' remuneration, were approximately HK\$46.8 million (for the six months ended 30 June 2017: HK\$38.5 million).

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**

On 28 February 2018, Beijing Technology Development Co., Ltd (北京京投卓越科技發展有限公司) (“BII Zhuoyue”), a subsidiary of the Company, jointly established a joint venture, namely BII Information Security Technology Development Company Limited\* (北京京投信安科技發展有限公司) (“BII Xin An”), with Zhuhai Tonghai Technology Holdings Company Limited\* (珠海市同海科技股份有限公司) (“Tonghai Technology”) and Beijing Tong Jian Tai Li Te Intelligence System Engineering Technology Company Limited\* (北京通建泰利特智能系統工程技術有限公司) (“Tong Jian Tai Li Te”), with a registered capital of RMB10 million. BII Zhuoyue contributed RMB5.1 million with a shareholding of 51.0% while each of Tonghai Technology and Tong Jian Tai Li Te contributed RMB2.45 million with shareholding of 24.5% respectively. The establishment of BII Xin An will assist the Group in commencing information security and intelligent businesses, thereby accelerating the construction of intelligent railway transportation.

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 2018.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

### **BUSINESS PROSPECTS**

In the second half of 2018, Beijing will continue to promote the construction of the public transportation system which mainly focused on rail transit, and plans to open three new rail transit lines during the year. The total operating mileage is expected to reach 630 kilometers or more and the total mileage of suburban railway is expected to reach 238 kilometers.

In the second half of 2018, the Group will continue to adhere to the market expansion direction that anchored in Beijing and Hong Kong while extending throughout the nation and gradually implementing the industry layout of “Giving Priority to Intelligent Railway Transportation Services and Civil Communication Transmission Services and Supplementing by New Business Development Through Joint Ventures and Partnership”. While the Group further enhances the construction of Beijing rail transit network services and new lines as the base, it continues to expand Beijing’s underground utility tunnel business and expressway business with rail transit construction. Based on the experience of Beijing rail transit, the Group will also carry out in-depth information exchange with partners across the country, open up the national business layout, and contribute to the innovation and development of urban rail transit technology.

In the future, the Group will continue to sharpen its own core competitiveness and with the aim of scientific and technological innovation, to increase research and development efforts, and actively develop businesses such as rail transit cloud platform construction, big data construction and analysis, and biometric system construction so as to promote the development of urban rail transit systems from informationised business to intelligent business and strive to provide professional technical support and services for the network operation of urban rail transit in Beijing and the entire nation. At the same time, the Group will use the subway civil communication transmission network to promote the new era of interconnected metro information technology. The Group will improve its profitability and risk resistance through a diversified business structure and continue to expand its customer base.

## **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 throughout the six months ended 30 June 2018. 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 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Company established the audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee 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 2018, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Interim Financial Information is unaudited, but has been reviewed by KPMG, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose report to the Board will be included in the 2018 interim report and nothing has come to their attention that causes them to believe that such report has not been prepared, in all material aspects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

In addition, the Audit Committee has also reviewed the Interim Financial Information and is of the opinion that such 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 2018.

## **EVENT DURING THE PERIOD FROM 30 JUNE 2018**

The Group has no material subsequent event to be disclosed from 30 June 2018 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) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2018 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, 28 August 2018

*As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Mr. Guan Jifa, Mr. Hao Weiya, 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*