

京投轨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 REPORT

2017



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This interim report is printed on environmental friendly paper

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Wei (*Vice Chairman*)
(redesignated as Vice Chairman
on 28 February 2017)
Ms. Xuan Jing (*Chief Executive Officer*)
(redesignated as Chief Executive
Officer on 28 February 2017)

Non-Executive Directors

Mr. Guan Jifa (*Chairman*)
(redesignated as Chairman
on 28 February 2017)
Mr. Hao Weiya
Mr. Ren Yuhang
(appointed on 28 February 2017)
Mr. Zheng Yi
(appointed on 25 August 2017)

Independent Non-Executive Directors

Mr. Bai Jinrong
Mr. Luo Zhenbang *CPA*
Mr. Huang Lixin

AUTHORISED REPRESENTATIVES PURSUANT TO RULE 3.05 OF THE LISTING RULES

Mr. Cao Wei
Ms. Ng Sin Yee, Clare

COMPANY SECRETARY

Ms. Ng Sin Yee, Clare

AUDIT COMMITTEE

Mr. Luo Zhenbang *CPA* (*Chairman*)
Mr. Bai Jinrong
Mr. Huang Lixin

REMUNERATION COMMITTEE

Mr. Bai Jinrong (*Chairman*)
Mr. Cao Wei
Mr. Huang Lixin

NOMINATION COMMITTEE

Mr. Guan Jifa (*Chairman*)
(appointed as Chairman on 28
February 2017)
Mr. Bai Jinrong
Mr. Huang Lixin

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 – Unaudited
(Expressed in Hong Kong dollars (“HK\$”))

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	4	214,707	128,205
Cost of sales		(159,151)	(81,357)
Gross profit	4(b)	55,556	46,848
Other income		4,783	2,186
Selling, general and administrative expenses		(31,080)	(29,016)
Profit from operations		29,259	20,018
Share of losses of joint ventures	11	(5,864)	(1,367)
Profit before taxation	5	23,395	18,651
Income tax	6	(5,128)	(3,227)
Profit for the period		18,267	15,424
Attributable to:			
Equity shareholders of the Company		17,521	14,765
Non-controlling interests		746	659
Profit for the period		18,267	15,424
Earnings per share			
– Basic (HK\$)	7(a)	0.0083	0.0103
– Diluted (HK\$)	7(b)	0.0083	0.0103

The notes on pages 13 to 48 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 – Unaudited
(Expressed in HK\$)

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Profit for the period	18,267	15,424
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	23,686	(15,304)
Total comprehensive income for the period	41,953	120
Attributable to:		
Equity shareholders of the Company	40,587	(184)
Non-controlling interests	1,366	304
Total comprehensive income for the period	41,953	120

The notes on pages 13 to 48 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2017 – Unaudited
(Expressed in HK\$)

	<i>Note</i>	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Non-current assets			
Property, plant and equipment	8	126,862	134,529
Intangible assets	9	122,041	125,771
Goodwill	10	62,986	61,113
Interests in joint ventures	11	364,777	312,570
Deferred tax assets	18	21,129	20,288
		697,795	654,271
Current assets			
Available-for-sale debt investments	12	147,482	128,564
Inventories	13	97,986	69,021
Trade and other receivables	14	572,392	524,610
Cash and cash equivalents	15	1,075,856	1,118,431
		1,893,716	1,840,626
Current liabilities			
Trade and other payables	16	371,025	317,908
Current taxation		37,174	36,205
		408,199	354,113
Net current assets		1,485,517	1,486,513
Total assets less current liabilities		2,183,312	2,140,784
Non-current liabilities			
Deferred tax liabilities	18	24,101	24,257
NET ASSETS		2,159,211	2,116,527

The notes on pages 13 to 48 form part of this interim financial report.

Consolidated Statement of Financial Position
 At 30 June 2017 – Unaudited
 (Expressed in HK\$)

	<i>Note</i>	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
CAPITAL AND RESERVES	19		
Share capital		21,098	21,062
Reserves		2,124,919	2,083,637
Total equity attributable to equity shareholders of the Company		2,146,017	2,104,699
Non-controlling interests		13,194	11,828
TOTAL EQUITY		2,159,211	2,116,527

The notes on pages 13 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 – Unaudited
(Expressed in HK\$)

	Attributable to equity shareholders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
	Balance at 1 January 2016	14,233	950,819	29,411	12,710	(32,151)	236,078	1,211,100	
Changes in equity for the six months ended 30 June 2016:									
Profit for the period	-	-	-	-	-	14,765	14,765	659	15,424
Other comprehensive income	-	-	-	-	(14,949)	-	(14,949)	(355)	(15,304)
Total comprehensive income	-	-	-	-	(14,949)	14,765	(184)	304	120
Shares issued under share option scheme	124	11,299	(2,210)	-	-	-	9,213	-	9,213
Equity-settled share-based transactions (Note 17)	-	-	2,367	-	-	-	2,367	-	2,367
	124	11,299	157	-	-	-	11,580	-	11,580
Balance at 30 June 2016	14,357	962,118	29,568	12,710	(47,100)	250,843	1,222,496	10,706	1,233,202

The notes on pages 13 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017 – Unaudited
(Expressed in HK\$)

	Attributable to equity shareholders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
	Balance at 1 July 2016	14,357	962,118	29,568	12,710	(47,100)	250,843	1,222,496	
Changes in equity for the six months ended 31 December 2016:									
Profit for the period	-	-	-	-	-	10,963	10,963	2,007	12,970
Other comprehensive income	-	-	-	-	(34,137)	-	(34,137)	(885)	(35,022)
Total comprehensive income	-	-	-	-	(34,137)	10,963	(23,174)	1,122	(22,052)
Issuance of shares	6,691	896,032	-	-	-	-	902,723	-	902,723
Share issued under share option scheme	14	1,317	(241)	-	-	-	1,090	-	1,090
Equity-settled share-based transactions (Note 17)	-	-	1,564	-	-	-	1,564	-	1,564
Appropriation to reserves	-	-	-	6,752	-	(6,752)	-	-	-
	6,705	897,349	1,323	6,752	-	(6,752)	905,377	-	905,377
Balance at 31 December 2016	21,062	1,859,467	30,891	19,462	(81,237)	255,054	2,104,699	11,828	2,116,527

The notes on pages 13 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017 – Unaudited
(Expressed in HK\$)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Treasury share	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2017	21,062	1,859,467	30,891	19,462	(81,237)	-	255,054	2,104,699	11,828	2,116,527
Changes in equity for the six months ended 30 June 2017:										
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 (Note 19(c))	36	3,897	(694)	-	-	-	-	3,239	-	3,239
Equity-settled share-based transactions (Note 17)	-	-	66	-	-	-	-	66	-	66
Purchase of own shares (Note 19(b))	-	-	-	-	-	(2,574)	-	(2,574)	-	(2,574)
	36	3,897	(628)	-	-	(2,574)	-	731	-	731
Balance at 30 June 2017	21,098	1,863,364	30,263	19,462	(58,171)	(2,574)	272,575	2,146,017	13,194	2,159,211

The notes on pages 13 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 – Unaudited
(Expressed in HK\$)

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Cash generated from operations		30,174	78,167
Interest income received		917	1,865
Income tax paid		(5,367)	(13,948)
Net cash generated from operating activities		25,724	66,084
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		(1,009)	(3,338)
Proceeds from disposal of property, plant and equipment		–	3
Capital contributions into joint ventures	22(d)	(58,071)	(312,441)
Payment for the purchase of available-for-sale debt investments		(595,238)	(68,908)
Proceeds from sale of available-for-sale debt investments		582,290	51,308
Net cash used in investing activities		(72,028)	(333,376)

The notes on pages 13 to 48 form part of this interim financial report.

		Six months ended 30 June	
	<i>Note</i>	2017	2016
		HK\$'000	HK\$'000
Financing activities			
Payment for purchase of own shares	19(b)	(2,574)	–
Proceeds from the exercise of share options	19(c)	3,239	9,213
Net cash generated from financing activities		665	9,213
Net decrease in cash and cash equivalents		(45,639)	(258,079)
Cash and cash equivalents at the beginning of the period	15	1,118,431	626,837
Effect of foreign exchange rate changes		3,064	(4,092)
Cash and cash equivalents at the end of the period	15	1,075,856	364,666

The notes on pages 13 to 48 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (formerly known as “China City Railway Transportation Technology Holdings Company Limited”) (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012. The listing of the Company’s shares was transferred from the GEM to the main board of the Stock Exchange on 6 December 2013. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2017 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in joint ventures. 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, and the lease of civil communication transmission systems to telecommunication companies.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 25 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

2 BASIS OF PREPARATION (Continued)

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

This interim financial report 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report 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. KPMG's independent review report to the board of directors (the "Directors") of the Company is included on pages 49 to 50.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report 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 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2017.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents contract revenue from the provision of design, implementation and sale of application solution services, contract revenue from the provision of maintenance of application solution services, and rental income from the lease of civil communication transmission systems. The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Revenue from the provision of design, implementation and sale of application solution services	134,194	54,666
Revenue from the provision of maintenance of application solution services	24,279	25,174
Rental income from the lease of civil communication transmission systems	56,234	48,365
	214,707	128,205

Further details regarding the Group's principal activities are disclosed below.

4 REVENUE AND SEGMENT REPORTING (Continued)

(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:

- System integration: this segment provides design, implementation and sale of application solution services, which includes related software, hardware and spare parts.
- Maintenance: this segment provides application solution maintenance services.
- Rental income: this segment leases civil communication transmission systems.

(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 2017 and 2016. The Group's other income and expense items, such as selling, general and administrative expenses and share of losses of joint ventures, 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.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

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 2017 and 2016 is set out below.

	Six months ended 30 June 2017			
	System integration	Maintenance	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	134,194	24,279	56,234	214,707
Reportable segment gross profit	21,793	13,399	20,364	55,556

	Six months ended 30 June 2016			
	System integration	Maintenance	Rental income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	54,666	25,174	48,365	128,205
Reportable segment gross profit	9,619	13,561	23,668	46,848

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Salaries, wages and other benefits	33,962	31,772
Contributions to defined contribution retirement plans	3,913	3,608
Equity-settled share-based payment expenses (<i>Note 17</i>)	607	2,367
	38,482	37,747

(b) Other items:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Cost of inventories (<i>Note 13(b)</i>)	88,494	32,431
Depreciation and amortisation	20,632	17,607
Operating lease charges in respect of office premises	3,977	4,275
Interest income	(917)	(1,865)
Investment income	(1,791)	(221)
Net foreign exchange (gain)/loss	(1,360)	882
Loss on disposal of property, plant and equipment (<i>Note 8</i>)	7	1

6 INCOME TAX

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

	Six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong Profits Tax	571	548
The People's Republic of China (the "PRC") Corporate Income Tax	5,765	2,022
	6,336	2,570
Deferred taxation (Note 18):		
Origination and reversal of temporary differences	(1,208)	657
	5,128	3,227

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 2017 (six months ended 30 June 2016: 16.5%).

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.

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 2017 (six months ended 30 June 2016: 25%).

6 INCOME TAX (Continued)

Certain subsidiaries of the Group established in the PRC have obtained approval 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 three years ending 31 December 2017 or 31 December 2018.

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 2017 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$17,521,000 (six months ended 30 June 2016: HK\$14,765,000) and the weighted average of 2,108,262,000 ordinary shares (six months ended 30 June 2016: 1,428,762,000 ordinary shares) in issue during the six months 30 June 2017, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2017 '000	2016 '000
Issued ordinary shares at 1 January	2,106,155	1,423,321
Effect of shares issued under share option scheme (<i>Note 19(c)</i>)	2,164	5,441
Effect of shares repurchased (<i>Note 19(b)</i>)	(57)	–
Weighted average number of ordinary shares at 30 June	2,108,262	1,428,762

7 BASIC AND DILUTED EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2017 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$17,521,000 (six months ended 30 June 2016: HK\$14,765,000) and the weighted average number of ordinary shares (diluted) of 2,111,653,000 (six months ended 30 June 2016: 1,435,940,000 ordinary shares (diluted)), calculated as follows:

	Six months ended	
	30 June	
	2017	2016
	'000	'000
Weighted average number of ordinary shares at 30 June	2,108,262	1,428,762
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	3,391	7,178
Weighted average number of ordinary shares (diluted) at 30 June	2,111,653	1,435,940

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of HK\$1,009,000 (six months ended 30 June 2016: HK\$3,796,000).

Property, plant and equipment with a carrying amount of HK\$7,000 was disposed of during the six months ended 30 June 2017, resulting in a net loss on disposal of HK\$7,000 (six months ended 30 June 2016: carrying amount of HK\$4,000 was disposed of, resulting in a net loss on disposal of HK\$1,000).

9 INTANGIBLE ASSETS

Intangible assets of the Group at 30 June 2017 mainly comprised self-developed software and income rights acquired with an aggregate carrying amount of HK\$121,899,000 (31 December 2016: HK\$125,398,000).

10 GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to the operations of the Group as follows:

		At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Operations in the provision of design, implementation and sale of application solutions services	<i>(i)</i>	52,655	51,089
Operations related to the civil communication transmission systems business	<i>(ii)</i>	10,331	10,024
		62,986	61,113

Notes:

- (i) Goodwill was arisen from the Group's acquisition of the 100% equity interests in Innovation Holding Co., Ltd. in 2013.
- (ii) Goodwill was arisen from the Group's acquisition of the civil communication transmission systems and the respective income rights of seven subway lines and the civil communication income rights of the airport line of the Beijing Subway in 2014.

11 INTERESTS IN JOINT VENTURES

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Unlisted equity investments at cost	370,513	312,442
Share of (losses)/profits	(5,736)	128
	364,777	312,570

Details of the Group's interests in joint ventures, which are accounted for using the equity method in the condensed consolidated interim financial statements, are as follows:

Name of joint venture	Place of establishment and operations	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by a subsidiary	
Beijing Metro Science and Technology Development Co., Ltd. * 北京地鐵科技發展有限公司	The PRC	Renminbi ("RMB") 30,000,000	49%	-	49%	Maintenance of application solutions for the networking and controlling systems of public transport companies

11 INTERESTS IN JOINT VENTURES (Continued)

Name of joint venture	Place of establishment and operations	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by a subsidiary	
Beijing Metro Co., Ltd. * 北京京城地鐵有限公司	The PRC	RMB 500,000,000	49%	49%	-	Subway operations management
Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership) ("Cornerstone Chuangying Centre") * 北京基石創盈投資管理中心 (有限合夥)	The PRC	RMB 2,000,000	20%**	-	20%	Management of assets and investments
Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership) ("Cornerstone Chuangying") * 北京基石創盈投資中心 (有限合夥)	The PRC	RMB 201,000,000	24.88%**	-	24.88%	Investments holding

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

11 INTERESTS IN JOINT VENTURES (Continued)

- ** The Group is a limited partner of Cornerstone Chuangying Centre and Cornerstone Chuangying, which are partnership entities with two and five other partners, respectively. The Group contributed 20% and 24.88% capital into these two partnership entities, respectively. Pursuant to the partnership agreements, the Group has joint control over the governing body of the respective partnerships.

12 AVAILABLE-FOR-SALE DEBT INVESTMENTS

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Unlisted debt investments	147,482	128,564

The unlisted debt investments represent wealth management products issued by financial institutions with guaranteed principal amounts plus variable returns.

13 INVENTORIES

- (a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Application solutions related software, hardware and spare parts	89,009	62,707
Materials to be assigned to service contracts	8,977	6,314
	97,986	69,021

- (b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss during the period is as follows:

	Six months ended 30 June 2017 HK\$'000	2016 HK\$'000
Carrying amount of inventories sold	88,494	32,431

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Trade receivables due from <i>(Notes 14(a) and 14(c))</i> :		
– third parties	259,004	246,746
– the ultimate holding company of the Company	27	27
– an affiliate of an equity shareholder of the Company	74,682	86,326
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	21,237	20,605
Bills receivable <i>(Notes 14(a) and 14(c))</i>	7,946	–
	362,896	353,704
Gross amount due from customers for contract work <i>(Note 14(b))</i> :		
– third parties	141,569	122,178
– an affiliate of an equity shareholder of the Company	29,350	14,606
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	5,391	4,485
	176,310	141,269

14 TRADE AND OTHER RECEIVABLES (Continued)

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Amounts due from related parties (<i>Note 14(d)</i>):		
– equity shareholders of the Company and their affiliates	274	186
– the ultimate holding company of the Company	–	84
	274	270
Prepayments, deposits and other receivables	32,912	29,367
	572,392	524,610

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

14 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 month	69,680	119,628
More than 1 month but less than 3 months	18,610	10,161
More than 3 months but less than 6 months	21,267	7,367
More than 6 months	253,339	216,548
	362,896	353,704

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.

14 TRADE AND OTHER RECEIVABLES (Continued)

(b) Project contracts in progress

At 30 June 2017, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work, is HK\$780,000,000 (31 December 2016: HK\$657,237,000).

(c) Retention receivables

At 30 June 2017, included in trade receivables are retention receivables in respect of project contracts of HK\$18,335,000 (31 December 2016: HK\$18,567,000).

(d) Amounts due from related parties

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

15 CASH AND CASH EQUIVALENTS

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Cash at bank and on hand	1,075,856	1,118,431

The Group's operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16 TRADE AND OTHER PAYABLES

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Trade payables due to third parties (<i>Note 16(a)</i>)	284,046	211,939
Bills payable (<i>Note 16(a)</i>)	3,622	21,354
	287,668	233,293
Amounts due to related parties (<i>Note 16(b)</i>):		
– an affiliate of an equity shareholder of the Company	7,036	235
– a non-controlling equity holder of a subsidiary of the Group	5,400	5,400
	12,436	5,635
Other taxes payables	9,394	17,487
Accrued expenses and other payables	5,702	15,275
	15,096	32,762
Financial liabilities measured at amortised cost	315,200	271,690
Receipts in advance from:		
– third parties	46,609	37,276
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	9,216	8,942
	55,825	46,218
	371,025	317,908

16 TRADE AND OTHER PAYABLES (Continued)

At 30 June 2017, 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 2017 HK\$'000	At 31 December 2016 HK\$'000
Due within 1 month or on demand	284,046	213,608
Due after 1 month but within 6 months	3,622	19,685
	287,668	233,293

(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 2017 (31 December 2016: HK\$5,400,000) which is repayable within one year, all of the remaining balances have no fixed terms of repayment.

17 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 8 December 2011 and revised on 24 September 2013 whereby the Directors are authorised, at their discretion, to invite (i) any employee or proposed employee (whether full-time or part-time) of any member of the Group or any entity in which any member of the Group holds an equity interest (“Invested Entity”); (ii) any executive or non-executive directors including independent non-executive directors of any member of the Group or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity; or (vi) any other group or classes of participants from time to time determined by the Directors as having contributed or may contribute by way of joint ventures, business alliances or other business arrangements to the developments and growth of the Group, to take up options at HK\$1.00 as consideration to subscribe for ordinary shares in the Company.

For the share options granted on 26 July 2012, 31 December 2013 and 5 December 2014, 20% will vest after one year from the date of grant; another 50% will vest after two years from the date of grant; and the remaining 30% will vest after three years from the date of grant. The share options granted will lapse on 25 July 2017, 30 December 2018 and 4 December 2019 respectively. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

17 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 26 July 2012	480,000	One year from the date of grant	5 years
– on 26 July 2012	1,200,000	Two years from the date of grant	5 years
– on 26 July 2012	720,000	Three years from the date of grant	5 years
– on 5 December 2014	100,000	One year from the date of grant	5 years
– on 5 December 2014	250,000	Two years from the date of grant	5 years
– on 5 December 2014	150,000	Three years from the date of grant	5 years
Options granted to equity shareholder:			
– on 5 December 2014	260,000	One year from the date of grant	5 years
– on 5 December 2014	650,000	Two years from the date of grant	5 years
– on 5 December 2014	390,000	Three years from the date of grant	5 years
Options granted to employees:			
– on 26 July 2012	7,360,000	One year from the date of grant	5 years
– on 26 July 2012	18,400,000	Two years from the date of grant	5 years
– on 26 July 2012	11,040,000	Three years from the date of grant	5 years
– on 31 December 2013	4,000,000	One year from the date of grant	5 years
– on 31 December 2013	10,000,000	Two years from the date of grant	5 years
– on 31 December 2013	6,000,000	Three years from the date of grant	5 years
– on 5 December 2014	3,640,000	One year from the date of grant	5 years
– on 5 December 2014	9,100,000	Two years from the date of grant	5 years
– on 5 December 2014	5,460,000	Three years from the date of grant	5 years
Total share options granted	<u>79,200,000</u>		

17 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

- (b) The number and weighted average exercise price of share options are as follows:

	Six months ended 30 June 2017		Year ended 31 December 2016	
	Weighted average exercise price	Number of share options '000	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the period	HK\$1.875	33,850	HK\$1.593	51,800
Exercised during the period	HK\$0.892	(3,632)	HK\$0.748	(13,780)
Forfeited during the period	HK\$2.690	(800)	HK\$1.949	(4,170)
Outstanding at the end of the period	HK\$1.974	29,418	HK\$1.875	33,850
Exercisable at the end of the period	HK\$1.831	24,513	HK\$1.729	28,705

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2017 was HK\$1.47 (year ended 31 December 2016: HK\$1.36).

The share options outstanding at 30 June 2017 had a weighted average exercise price of HK\$1.974 (31 December 2016: HK\$1.875) and a weighted average remaining contractual life of 2.01 years (31 December 2016: 2.40 years).

18 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Assets			Liabilities		
	Amortisation and depreciation expenses in excess of the tax allowances HK\$'000	Accruals HK\$'000	Unused tax losses HK\$'000	Total HK\$'000	Fair value adjustments on intangible assets and related amortisation HK\$'000	Net HK\$'000
At 31 December 2015	4,536	1,437	2,914	8,887	(25,081)	(16,194)
Exchange adjustments (Charged)/credited to the consolidated statement of profit or loss (Note 6)	(46)	(31)	(36)	(113)	501	388
	(289)	163	(1,442)	(1,568)	911	(657)
At 30 June 2016	4,201	1,569	1,436	7,206	(23,669)	(16,463)
Exchange adjustments (Charged)/credited to the consolidated statement of profit or loss	(166)	(598)	(30)	(794)	1,160	366
Addition through acquisition of business	(187)	12,666	(1,406)	11,073	905	11,978
	2,803	-	-	2,803	(2,653)	150
At 31 December 2016	6,651	13,637	-	20,288	(24,257)	(3,969)
Exchange adjustments (Charged)/credited to the consolidated statement of profit or loss (Note 6)	145	427	-	572	(783)	(211)
	(250)	519	-	269	939	1,208
At 30 June 2017	6,546	14,583	-	21,129	(24,101)	(2,972)

19 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 2017 (six months ended 30 June 2016: HK\$Nil).

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

The Directors did not recommend a final dividend for the year ended 31 December 2016 and 2015.

(b) Purchase of own shares

During the six months ended 30 June 2017, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid (including expenses) HK\$'000
June 2017	2,168,000	1.20	1.16	2,574

The above repurchased shares of the Company were cancelled on 11 August 2017.

19 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Issuance of shares under share option scheme

During the six months ended 30 June 2017, share options were exercised to subscribe for 3,632,000 ordinary shares in the Company at a consideration of HK\$3,239,000, of which HK\$36,000 was credited to share capital and the remaining balance of HK\$3,203,000 was credited to the share premium account. HK\$694,000 has been transferred from the capital reserve to the share premium account.

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

Exercise period	Exercise price	At 30 June 2017 Number '000
26 July 2013 to 25 July 2017	HK\$0.656	14
26 July 2014 to 25 July 2017	HK\$0.656	34
26 July 2015 to 25 July 2017	HK\$0.656	20
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	3,270
5 December 2016 to 4 December 2019	HK\$2.690	8,175
5 December 2017 to 4 December 2019	HK\$2.690	4,905
		29,418

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these share options are set out in Note 17 to the interim financial report.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

(a) Financial instruments measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

Recurring fair value measurements	Fair value measurements categorised into Level 2	
	At	At
	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Unlisted debt investments (Note 12)	147,482	128,564

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted debt investments are the estimated amount that the Group would receive at the end of the reporting period, taking into account current market interest rates of debt instruments with similar risk profile.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2017 and 31 December 2016.

21 OPERATING LEASE COMMITMENTS

- (a) At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 year	3,375	7,574
After 1 year but within 5 years	–	5
	3,375	7,579

The Group leases certain office premises under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent lease rentals.

- (b) At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 year	92,378	101,160
After 1 year but within 5 years	33,205	56,603
	125,583	157,763

The Group leases out its civil communication transmission systems to telecommunication companies under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent lease rentals.

22 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the material related party transactions entered into by the Group during the six months ended 30 June 2017 are set out below.

(a) Transactions with equity shareholders of the Company and their affiliates

	Six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
Provision of design, implementation and sale of application solution services	2,763	–
Provision of maintenance of application solution services	20,546	19,931
Provision of civil communication transmission systems	286	–
Operating lease expenses	2,414	2,556
Net increase/(decrease) in advances granted	88	(504)

(b) Transactions with an equity holder of the non-controlling equity holder of a subsidiary of the Group

	Six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
Provision of design, implementation and sale of application solution services	2,537	–

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transaction with a non-controlling equity holder of a subsidiary of the Group

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Increase in advance received	–	5,400

(d) Transactions with joint ventures

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Capital contributions	58,071	312,442

(e) Key management personnel remuneration

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Short-term employee benefits	4,392	5,728
Retirement scheme contributions	221	278
Equity compensation benefits	39	671
	4,652	6,677

Total remuneration is included in "staff costs" (see Note 5(a)).

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(f) Transactions with other state-controlled entities in the PRC

The ultimate holding company of the Company, Beijing Infrastructure Investment Co., Ltd. (“BII”), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 22(a) above, the Group also has transactions with other state-controlled entities include but not limited to the following:

- provision of design, implementation and sale of application solution services;
- provision of maintenance of application solution services;
- lease of civil communication transmission systems;
- bank deposits; and
- purchase of available-for-sale debt investments.

23 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Change of the Company’s name

Pursuant to the resolution passed at the Company’s extraordinary general meeting held on 24 July 2017, the English name of the Company was changed from “China City Railway Transportation Technology Holdings Company Limited” to “BII Railway Transportation Technology Holdings Company Limited” and the Chinese name of the Company was changed from “中國城市軌道交通科技控股有限公司” to “京投軌道交通科技控股有限公司”.

(b) Purchase of own shares

In July 2017, the Company repurchased an aggregate of 2,832,000 of its own shares on the Stock Exchange and paid HK\$3,264,000 in aggregate. On 11 August 2017, the Company cancelled 5,000,000 shares.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

IFRS 9, *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes to the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) *Timing of revenue recognition*

Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred. The Group is in the process of making an assessment of the impact of the financing benefit obtained from customers.

Independent Review Report



Review report to the Board of Directors of BII Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 48 which comprises the consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited (formerly known as “China City Railway Transportation Technology Holdings Company Limited”) as of 30 June 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

25 August 2017

Management Discussion and Analysis

BUSINESS REVIEW

The first half of 2017 was the second year of the Thirteenth Five-Year Plan for National Urban Rail Transit. 12 cities in the country have opened up and operated new urban rail transit lines, with a total length of 381 km. It is predicted that 20 cities in the country will open up and operate new urban rail transit lines, with a total length of 965 km, in the second half of 2017. As of the end of 2016, there were 19 operating rail transit lines in Beijing and the operating mileage reached 574 km. In 2017, 20 lines (sections) will come on stream and over 350 km of transit lines is under construction in Beijing, taking the rail transit construction in Beijing to a new peak.

In the first half of 2017, apart from consolidating the market position in Beijing, the Group continued to deepen its nationalisation layout. The market expansion towards Chengdu, Shenzhen and Changchun has built continuous momentum for the future overall development of the Group. In general, the Group maintained a steady development in the interim period, achieving operating income of approximately HK\$214.7 million, which increased by approximately 67% as compared to the corresponding period in 2016. Profit attributable to equity shareholders of the Company was approximately HK\$17.5 million, which increased by approximately 18% as compared to the same period last year.

System integration related application solution services

Moving into 2017, the Group maintained a good development on its overall operation. As the core market of this segment, Beijing market relied on the experienced team of the Company, perfect mastery of technology and a unified integration plan to maintain a better developing trend. During the interim period, it mainly benefited from phase 2 of the fare reform project, Line No.2 platform door project, Beijing-MTR MLC project and Beijing SI station platform door project. In the national market outside of Beijing, the Group took advantage of its mature business model and the leading technology on subway coordination and command centre to build the “strongest brain” in Chengdu subway – the Chengdu Coordination and Command Centre (COCC), which could command 23 lines in the future. This is another significant breakthrough achieved by the Group in the national market and would further enhance the strength and market coverage of the system integration business and services of the Group. Besides, the Group continued to maintain its advantage gained from launching the Shenzhen Network Operation Control Centre (NOCC) project in 2016 and expanded into new markets, such as Changchun.



Application solution maintenance services

Application solution maintenance services mainly represent repair and maintenance of application solution systems developed by the Group and other software developers. In the Beijing market, the Group continued to provide three years of maintenance service for the Automated Fare Collection Clearing Centre (ACC) system, Traffic Control Centre (TCC) system and inspection centre of the Beijing Subway. As for the Hong Kong market, we continued to provide Octopus system maintenance service to The Kowloon Motor Bus Company (1933) Limited and New World First Bus Services Limited of Hong Kong through localised subsidiary of the Group.

Civil communication transmission service business

Exploring the development opportunities of the subway civil information technology has long been the business development blueprint and one of the forward-looking development strategies of the Group. In 2014, the Company officially started the merger and acquisition of subway civil information technology assets. As of the end of 2016, the Group has completed the acquisition of the civil information technology assets of 174 stations of 15 subway lines. The Group uses the above assets and takes the subway network as the carrier to build a comprehensive inter-connected subway information technology new era. This would provide new continuous growth momentum and effectively expand the business areas of the whole Group. In the first half of 2017, we have successfully entered into 4G information transmission service agreements for the existing lines with Beijing Mobile Communication Company Limited (“Beijing Mobile”) and China United Network Communications Group Company Limited, Beijing Branch (“Beijing Unicom”) and signed the 4G communication transmission leasing agreements for the new subway line, the Changping Line, with the above two telecommunication operators. In terms of new areas of development, by taking advantage of the highly secured and comprehensive coverage of the subway fiber optic, we have entered into information transmission service agreement with Beijing Information Infrastructure Construction Services Company Limited* (北京資訊基礎設施建設服務有限公司) and Beijing Enterprises Teletron Information Technology Co., Ltd (“BETIT”). It is predicted that the civil communication transmission system business will bring continuous stable income to the Group in the future.

FINANCIAL REVIEW

The Group's revenue increased by approximately 67% from approximately HK\$128.2 million for the six months ended 30 June 2016 to approximately HK\$214.7 million for the six months ended 30 June 2017, while the Group's cost of sales increased by approximately 96% from approximately HK\$81.4 million for the six months ended 30 June 2016 to approximately HK\$159.2 million for the six months ended 30 June 2017, resulting in an increase in the Group's gross profit by approximately 19% from approximately HK\$46.8 million for the six months ended 30 June 2016 to approximately HK\$55.5 million for the six months ended 30 June 2017.

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 18% from approximately HK\$14.8 million for the six months ended 30 June 2016 to approximately HK\$17.5 million for the six months ended 30 June 2017.

Further discussion on the Group's financial performance is set out below.

Revenue

Provision of system integration related application solution services

The Group recorded revenue of approximately HK\$134.2 million from the provision of system integration related application solution service for the six months ended 30 June 2017, representing an increase of approximately 145% as compared to approximately HK\$54.7 million for the six months ended 30 June 2016.

Such increase was mainly attributable to phase 2 of the fare reform project, Line No.2 platform door project of the Beijing Subway, Beijing-MTR MLC project and Beijing SI station platform door project. In the national market outside of Beijing, the Group took advantage of the mature business model and the leading technology on subway network coordination and command centre to build the "strongest brain" in Chengdu subway – the Chengdu Coordination and Command Centre (COCC), which could command 23 lines in the future. This is another significant breakthrough achieved by the Group in the national market and would further enhance the strength and market coverage of the system integration business and service of the Company.

Provision of operation and maintenance of application solution service

The Group's revenue arising from the provision of operation and maintenance of application solution service decreased by approximately 4% from approximately HK\$25.2 million for the six months ended 30 June 2016 to approximately HK\$24.3 million for the six months ended 30 June 2017. The revenue generated from the provision of maintenance of application solution service basically remained stable. Main service contracts were still within the contract period during the period under review.

Civil communication and information transmission service

The Group's revenue arising from civil communication and information transmission service was approximately HK\$56.2 million for the six months ended 30 June 2017, representing an increase of 16% as compared to approximately HK\$48.4 million for the six months ended 30 June 2016. The Group completed the acquisition of the other four lines of civil communication assets of BII in November 2016, the details of which were disclosed in the announcement of the Company dated 26 September 2016 and the circular of the Company dated 14 October 2016. No related revenue from the aforesaid four lines was recorded by the Group for the six months ended 30 June 2016. It is expected that the said business line will provide sustainable income from civil communication and information transmission service to the Group.

Cost of sales

The Group's cost of sales increased by approximately 96% from approximately HK\$81.4 million for the six months ended 30 June 2016 to approximately HK\$159.2 million for the six months ended 30 June 2017. The Group's revenue was mainly generated from the provision of system integration related application solution services, provision of operation and maintenance and leasing of civil communication transmission systems, of which the costs were mainly related to equipment procurement, direct labour force, and maintenance cost and depreciation of civil communication transmission systems. The increase in cost of sales was mainly due to the recognition of the related cost of phase 2 of the fare reform project during the period as it was in the delivery stage. In addition, with the completion of acquisition of civil communication transmission systems, the relevant operating cost would increase accordingly.

Gross profit

The Group's gross profit increased by approximately 19% from approximately HK\$46.8 million for the six months ended 30 June 2016 to approximately HK\$55.5 million for the six months ended 30 June 2017. The increase in gross profit for the six months ended 30 June 2017 as compared to the corresponding period in 2016 was mainly due to the relative effect of the increase in revenue and cost of sales.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses increased by approximately 7% from approximately HK\$29 million for the six months ended 30 June 2016 to approximately HK\$31.1 million for the six months ended 30 June 2017. Such increase was mainly attributable to the increase in staff cost.

Profit attributable to equity shareholders of the Company

The Group's profit attributable to equity shareholders of the Company increased by approximately 18% from approximately HK\$14.8 million for the six months ended 30 June 2016 to approximately HK\$17.5 million for the six months ended 30 June 2017. Such increase was mainly attributable to the increase in gross profit of our projects during the six months ended 30 June 2017 as compared to the corresponding period in 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 June 2017, the Company's total number of issued shares was 2,109,786,727 ordinary shares of HK\$0.01 each (31 December 2016: 2,106,154,727 ordinary shares of HK\$0.01 each).

Cash position

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately HK\$1,075.9 million (31 December 2016: approximately HK\$1,118.4 million).

Bank borrowings and charges on the Group's assets

As at 30 June 2017, the Group had no bank borrowings or charges on assets (31 December 2016: Nil).

Working capital and gearing ratio

As at 30 June 2017, the Group had current assets of approximately HK\$1,893.7 million (31 December 2016: HK\$1,840.6 million), while its current liabilities were approximately HK\$408.2 million (31 December 2016: HK\$354.1 million), resulting in net current assets of approximately HK\$1,485.5 million (31 December 2016: HK\$1,486.5 million). As at 30 June 2017, current ratio, calculated based on current assets divided by current liabilities, was approximately 4.6 (31 December 2016: approximately 5.2). As at 30 June 2017, the Group had no bank borrowings, long term debts nor payables not incurred in the ordinary course of business, thus the gearing ratio was nil (31 December 2016: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 301 employees (including executive Directors) (30 June 2016: 276). The total staff costs, including Directors' remuneration, were approximately HK\$38.5 million (for the six months ended 30 June 2016: HK\$37.7 million).

Remuneration package is reviewed 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 Company also organised professional and vocational trainings for its employees.

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

Beijing BII Zhuoyue Technology Development Co., Ltd* (北京京投卓越科技發展有限公司) ("BII Zhuoyue"), Beijing Cornerstone Entrepreneurial Investment Administration Centre ("Cornerstone Administration Centre") and Suqian Chuangweiyang Investment Management Centre* (宿遷創為盈投資管理中心) ("Chuangweiyang") jointly established Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership)* (北京基石創盈投資管理中心(有限合夥)) ("Cornerstone Chuangying Centre"), a limited liability partnership held as to 20% by BII Zhuoyue, 30% by Cornerstone Administration Centre and 50% by Chuangweiyang. Cornerstone Chuangying Centre was formally incorporated on 25 February 2016, the total subscribed capital contribution of which at the time of establishment was RMB1 million. On 16 May 2017, the total subscribed capital contribution was revised from RMB1 million to RMB2 million according to the supplemental agreement of the Cornerstone Chuangying Centre Partnership Agreement, of which the subscribed capital contributions of BII Zhuoyue, Cornerstone Administration Centre and Chuangweiyang were RMB400,000, RMB600,000 and RMB1 million, respectively. As of 30 June 2017, BII Zhuoyue, Cornerstone Administration Centre and Chuangweiyang have made capital contributions of RMB400,000, RMB600,000 and RMB1 million, respectively.

BII Zhuoyue, ICBC Credit Suisse Investment Management Co., Ltd. (“ICBC Credit Suisse”), Dr. Peng Telecom Media Group Co., Ltd. (“Dr. Peng”), Shenzhen Ever-Rising Industrial Group Co., Ltd. (“Ever-Rising Industrial”), Beijing Tonglingtong Telecom Technology Co., Ltd.* (北京通靈通電訊技術有限公司) (“Tonglingtong Telecom”) and Cornerstone Chuangying Centre jointly established Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership)* (北京基石創盈投資中心(有限合夥)) (“Cornerstone Chuangying”). The limited liability partnership was formally incorporated on 10 January 2017 with a total subscribed capital contribution of RMB201 million. As of 30 June 2017, the actual contribution was RMB201 million, of which, BII Zhuoyue, ICBC Credit Suisse, Dr. Peng, Ever-Rising Industrial and Tonglingtong Telecom, as limited partners, and Cornerstone Chuangying Centre, as general partner, made capital contributions of RMB50 million, RMB100 million, RMB20 million, RMB20 million, RMB10 million and RMB1 million, respectively, and as a result, held 24.88%, 49.75%, 9.95%, 9.95%, 4.97% and 0.50% partnership interests, respectively.

Save as disclosed above, there were no other significant investments, material acquisition or disposal of subsidiaries and affiliated companies, or other plans for material investments or assets during the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

PROSPECT

For the second half of 2017, the Group is confident in maintaining the stable operation of business. In the past few years, the Group actively explored the way of revolution and development. Through merger and acquisition and reorganisation, we have built a diverse business structure. Firstly, the Group conducted merger and acquisition of civil information technology assets which allowed the Company to develop the civil communication transmission system service and continue to expand the value-added services of this business. Secondly, the Group entered into an agreement for acquisition of operating income rights of the airport express line of the Beijing Subway with Beijing Dongzhimen Airport Express Railway Company Limited* (北京東直門機場快速軌道有限公司), through Beijing City Metro Company Limited* (北京京城地鐵有限公司), a joint venture owned by the Group and Beijing Mass Transit Railway Operation Company Limited* (北京市地鐵運營有限公司), at the end of May 2017. The operating income rights include fare income, advertising income and rental income, etc.. In the future, apart from continuing to emphasise on professional operation, the Group will enhance its level of profitability and risk-resisting ability so as to solidify the foundation of rapid development of the Group during the “Thirteenth Five-Year Plan” through a diverse business layout.

System integration related application solution services

System integration related application solution services will continue to maintain its steady developing trend. The Group will continue to focus on the Beijing market and the surrounding Tianjin and Hebei markets so as to consolidate the leading market position in these areas. As for the national market, the main focuses are on East China, Central China, South China and the Northeast and Southwest regions and the market expansion would be based on this regional division. During the second half of the year, apart from continuing to implement a series of contracts entered into in the first half of the year, we will develop the Inspection Centre Technical Renovation Project, Asset Management Information System Project and Beijing Investment Information Infrastructure Project in the Beijing market. As for the national market, on the basis of maintaining the developed Shenzhen, Chengdu and Changchun markets, we would keep on exploring the East China and Central China markets so as to optimise the use and release of mature products and solutions of our Group in the new markets and contribute a steady growth to the Group.

Application solution maintenance services

Application solution maintenance services continue to uphold steady operational model, perfect mastery of technology and years of operation and maintenance experience. Firstly, we will keep on serving the operation and maintenance business of the existing Beijing Subway lines and will start new projects in the second half of the year, including Line No. 14 communication operation and maintenance project and Line No. 14 and Line No. 16 Passenger Information System (PIS) backstage operation and maintenance projects. Secondly, in view of the new construction peak brought about by the 20 new lines (sections) to be launched in Beijing in 2017, the Group will be fully prepared for providing operation and maintenance services to the new lines.

Civil communication transmission service business

Civil communication transmission service business will adopt a strategy of stable basic income, diverse value-added businesses, high-end technology and forward-looking development approach. In view of the rapid development of urban rail transit in our country, the subways of major PRC first-tier cities have become substantial component of the urban transportation systems. Together with the broad use of multi-media and internet exchange platforms, the demand for internet services in the subway becomes more significant. The Group has caught this developing opportunity and started planning in 2014. In 2016, we have already acquired civil communication assets of 174 stations of 15 subway lines of the Beijing Subway, which is the largest subway network in China, through merger and acquisition. In the future, the Group will fully integrate the subway civil transmission systems of the whole Beijing city based on these communication assets. Then, based on this foundation, we will work with operators, multi-media service providers and internet exchange service providers to provide more value-added services and ultimately build an efficient and stable 10 Gigabit Ethernet for Beijing city based on the whole subway network.

We firmly believe that we will continue to create stable returns for shareholders through continuing efforts.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to 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") were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	Number of underlying shares held in respect of share options under the share option scheme	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Wei ("Mr. Cao")	The Company	Interest of controlled corporation (Note 1)	244,657,815	–	11.60%
	The Company	Beneficial owner	800,000 (Note 2)	500,000 (Note 3)	0.06%
					11.66%

Notes:

1. These shares are held by More Legend Limited ("More Legend"), and More Legend is wholly owned by Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 244,657,815 shares of the Company which More Legend owns. Mr. Cao is the sole director of More Legend.
2. On 26 July 2012, Mr. Cao was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 shares of the Company, exercisable at a price of HK\$0.656 per share during a period from 26 July 2013 to 25 July 2017. All these options were vested and exercisable during the period under review and on 8 June 2017, Mr. Cao exercised the 800,000 options granted to him.
3. On 5 December 2014, Mr. Cao was granted 500,000 options under the share option scheme of the Company to subscribe for 500,000 shares of the Company, exercisable at a price of HK\$2.690 per share during a period from 5 December 2015 to 4 December 2019. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017, respectively.

Save as disclosed above, as at 30 June 2017, so far as was known to the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, so far as was known to the Directors or the chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Number of underlying shares held in respect of share options under the share option scheme	Approximate percentage of issued share capital of the Company
More Legend	Beneficial owner (Note 1)	244,657,815	–	11.60%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse (Note 2)	245,457,815	500,000	11.66%
Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK")	Beneficial owner (Note 3)	1,157,634,900	1,300,000	54.93%
BII	Interest of controlled corporation (Note 3)	1,157,634,900	1,300,000	54.93%
China Property and Casualty Reinsurance Company Ltd.* (中國財產再保險有限 責任公司)	Beneficial owner (Note 4)	148,585,534	–	7.04%

Name of substantial shareholder	Capacity	Number of shares	Number of underlying shares held in respect of share options under the share option scheme	Approximate percentage of issued share capital of the Company
China Reinsurance (Group) Corporation* (中國再保險(集團)股份有限公司)	Interest of controlled corporation (Note 4)	191,193,534	-	9.06%
Central Huijin Investment Ltd.	Interest of controlled corporation (Note 4)	191,193,534	-	9.06%

Notes:

1. More Legend is the legal and beneficial owner of 244,657,815 shares of the Company and is wholly-owned by Mr. Cao. Mr. Cao is also the sole director of More Legend.
2. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,457,815 shares and the 500,000 underlying shares of the Company which Mr. Cao is interested in.
3. BII HK is a wholly-owned subsidiary of BII, a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. By virtue of the SFO, BII is deemed to be interested in the 1,157,634,900 shares and the 1,300,000 underlying shares of the Company owned by BII HK.
4. China Property and Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd. which holds 148,585,534 shares and 42,608,000 shares of the Company, respectively, are each a wholly-owned subsidiary of China Reinsurance (Group) Corporation, which is in turn owned as to 71.56% by Central Huijin Investment Ltd. By virtue of the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in the 148,585,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd. and 42,608,000 shares of the Company owned by China Life Reinsurance Company Ltd.

Save as disclosed above, as at 30 June 2017, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2017. 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 2017, the Company repurchased a total of 2,168,000 shares of the Company on the Stock Exchange as follows:

Month	Number of shares repurchased	Purchase price		Aggregate consideration (excluding expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June	2,168,000 (Note)	1.20	1.16	2,565,480

Note: The total number of shares repurchased during the period from 21 June 2017 to 7 July 2017 amounted to 5,000,000 shares.

The Directors were of the view that the repurchases were in the interest of the Company and the shareholders of the Company as a whole. All the repurchased shares were cancelled on 11 August 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was approved for adoption pursuant to a written resolution of all the shareholders of the Company passed on 8 December 2011 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board may approve from time to time.

The Share Option Scheme was revised on 24 September 2013 and will remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Company. During the six months ended 30 June 2017, the Company had not granted any share options to its Directors or employees.

As at 30 June 2017, there were 29,418,000 outstanding share options granted under the Share Option Scheme with details as follows:

Grantee	Position/ Capacity	Date of grant	Exercise price (HK\$)	Vesting period	Exercise period	Balance as at 1 January 2017	Number of share options				Market value per share on exercise of options*	
							Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period		Balance as at 30 June 2017
Bl HK	Substantial Shareholder	5 December 2014	2.680	5 December 2014 to 4 December 2015 (Note 3)	5 December 2015 to 4 December 2019 (Note 3)	1,300,000	-	-	-	-	1,300,000	-
Mr. Cao Wai	Vice Chairman and Executive Director	26 July 2012	0.666	26 July 2012 to 25 July 2013 (Note 1)	26 July 2013 to 25 July 2017 (Note 1)	800,000	-	(800,000)	-	-	-	HK\$1.39
		5 December 2014	2.680	5 December 2014 to 4 December 2015 (Note 3)	5 December 2015 to 4 December 2019 (Note 3)	500,000	-	-	-	500,000	-	-
Others	Employees	26 July 2012	0.666	26 July 2012 to 25 July 2013 (Note 1)	26 July 2013 to 25 July 2017 (Note 1)	880,000	-	(812,000)	-	-	68,000	HK\$1.39
Others	Employees	31 December 2013	1.680	31 December 2013 to 30 December 2014 (Note 2)	31 December 2014 to 30 December 2018 (Note 2)	16,020,000	-	(12,020,000)	-	-	13,000,000	HK\$1.57
Others	Employees	5 December 2014	2.680	5 December 2014 to 4 December 2015 (Note 3)	5 December 2015 to 4 December 2019 (Note 3)	16,360,000	-	-	(800,000)	-	14,560,000	-
						33,850,000	-	(3,632,000)	-	(800,000)	29,418,000	

Notes:

1. On 26 July 2012, a total of 40,000,000 share options were granted to certain Directors and employees of the Company under the Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK\$0.656 per share during a period from 26 July 2013 to 25 July 2017. Out of the share options granted, 39,200,000 share options were taken up. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 26 July 2013, 26 July 2014 and 26 July 2015 respectively.
 2. On 31 December 2013, a total of 20,000,000 share options were granted to certain employees of the Company under the revised Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK\$1.080 per share during a period from 31 December 2014 to 30 December 2018. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 31 December 2014, 31 December 2015 and 31 December 2016 respectively.
 3. On 5 December 2014, a total of 20,000,000 share options were granted to a substantial shareholder, a Director and certain employees of the Company under the revised Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK\$2.690 per share during a period from 5 December 2015 to 4 December 2019. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017 respectively.
- * Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were exercised.

CHANGES IN DIRECTORS' INFORMATION AND CHANGES IN DIRECTORS

Changes in directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

1. Mr. Shao Kai resigned as an executive Director and the executive deputy general manager of the Company with effect from 25 January 2017. Please refer to the announcement of the Company dated 25 January 2017 for details.
2. Mr. Cao Wei, executive Director, was redesignated from Chief Executive Officer to Vice Chairman with effect from 28 February 2017. Subsequent to the redesignation, no director's fee will be payable to Mr. Cao but Mr. Cao is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of his duties to the Company for a total amount not exceeding HK\$1.2 million per annum which was determined by the Board with reference to the duties and level of responsibilities with the Group for the relevant position.

3. Ms. Xuan Jing, executive Director, was redesignated as the Chief Executive Officer with effect from 28 February 2017. She has entered into a service agreement with the Company for a term of three years commencing from 28 February 2017. Subsequent to the redesignation, Ms. Xuan is entitled to a salary of HK\$1.2 million per annum. Further, Ms. Xuan Jing ceased to be the director of BII HK with effect from May 2017.
4. Mr. Guan Jifa, non-executive Director, was appointed as the Chairman of the Board and chairman of the nomination committee with effect from 28 February 2017.
5. Dr. Tian Zhenqing resigned as a non-executive Director, the Chairman and the chairman of the nomination committee with effect from 28 February 2017.
6. Mr. Ren Yuhang was appointed as a non-executive Director with effect from 28 February 2017.
7. Mr. Zheng Yi was appointed as a non-executive Director with effect from 25 August 2017. Please refer to the announcement of the Company dated 25 August 2017 for details.
8. Mr. Hao Weiya ceased to be the chairman of Beijing MTR Corporation Limited with effect from June 2017.

For further details regarding the information disclosed in paragraphs 2 to 6 above, please refer to the announcement of the Company dated 28 February 2017.

AUDIT COMMITTEE

The Company established an audit committee (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 2017, 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 REPORT

The interim financial report 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 on review of the interim financial report is set out on pages 49 to 50 of this interim financial 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 report and is of the opinion that such report 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 2017.

By order of the Board

**BII Railway Transportation Technology
Holdings Company Limited**
Xuan Jing

Executive Director and Chief Executive Officer

Hong Kong, 25 August 2017

* *For identification purposes only*