京投軌道交通科技控股有限公司
BII Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1522

INTERIM REPORT 2018

CONTENTS

This interim report is printed on environmental friendly paper

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Wei *(Vice Chairman)*
Ms. Xuan Jing *(Chief Executive Officer)*

Non-Executive Directors

Mr. Guan Jifa *(Chairman)*
Mr. Hao Weiya
Mr. Ren Yuhang
Mr. Zheng Yi

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

Ms. Xuan Jing
Ms. Cheung Yuet Fan

COMPANY SECRETARY

Ms. Cheung Yuet Fan

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)*
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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
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Wanchai, Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars ("HK$"))

	Note	Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Note)
Revenue	4	**137,161**	214,707
Cost of sales		**(99,863)**	(159,151)
Gross profit	4(b)	**37,298**	55,556
Other income		**17,499**	4,783
Selling, general and administrative expenses		**(42,458)**	(31,080)
Profit from operations		**12,339**	29,259
Share of profits/(losses) of joint ventures and an associate	11	**3,728**	(5,864)
Profit before taxation	5	**16,067**	23,395
Income tax	6	**3,346**	(5,128)
Profit for the period		**19,413**	18,267
Attributable to:			
Equity shareholders of the Company		**19,323**	17,521
Non-controlling interests		**90**	746
Profit for the period		**19,413**	18,267
Earnings per share			
– Basic (HK$)	7(a)	**0.0092**	0.0083
– Diluted (HK$)	7(b)	**0.0092**	0.0083

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

The notes on pages 13 to 65 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited
(Expressed in HK$)

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
		(Note)
Profit for the period	**19,413**	18,267
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**(6,166)**	23,686
Total comprehensive income for the period	**13,247**	41,953
Attributable to:		
Equity shareholders of the Company	**13,410**	40,587
Non-controlling interests	**(163)**	1,366
Total comprehensive income for the period	**13,247**	41,953

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

The notes on pages 13 to 65 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2018 – Unaudited
(Expressed in HK$)

	Note	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000 (Note)
Non-current assets			
Property, plant and equipment	*8*	**118,731**	120,112
Intangible assets	*9*	**114,595**	125,375
Goodwill	*10*	**64,839**	65,397
Interests in joint ventures and an associate	*11*	**398,076**	394,828
Deferred tax assets	*19*	**34,638**	25,411
		730,879	731,123
Current assets			
Available-for-sale debt investments	*12*	**–**	116,760
Inventories and other contract costs	*13*	**99,606**	78,581
Contract assets	*14(a)*	**401,869**	–
Trade and other receivables	*15*	**129,226**	657,783
Cash and cash equivalents	*16*	**1,106,049**	1,128,780
Other financial assets	*12*	**178,813**	–
		1,915,563	1,981,904
Current liabilities			
Trade and other payables	*17*	**330,675**	437,580
Contract liabilities	*14(b)*	**69,195**	–
Current taxation		**34,801**	37,230
		434,671	474,810

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

The notes on pages 13 to 65 form part of this interim financial report.

	Note	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000 (Note)
Net current assets		**1,480,892**	1,507,094
Total assets less current liabilities		**2,211,771**	2,238,217
Non-current liability			
Deferred tax liabilities	*19*	**20,420**	24,108
NET ASSETS		**2,191,351**	2,214,109
CAPITAL AND RESERVES	*20*		
Share capital		**21,048**	21,048
Reserves		**2,152,052**	2,173,028
Total equity attributable to equity shareholders of the Company		**2,173,100**	2,194,076
Non-controlling interests		**18,251**	20,033
TOTAL EQUITY		**2,191,351**	2,214,109

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

The notes on pages 13 to 65 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited
(Expressed in HK$)

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Exchange reserve HK$'000	Treasury Share reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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	36	3,897	(694)	–	–	–	–	3,239	–	3,239
Equity-settled share-based transactions *(Note 18)*	–	–	66	–	–	–	–	66	–	66
Purchase of own shares	–	–	–	–	–	(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 65 form part of this interim financial report.

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Exchange reserve HK$'000	Treasury Share reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 July 2017	21,098	1,863,364	30,263	19,462	(58,171)	(2,574)	272,575	2,146,017	13,194	2,159,211
Changes in equity for the six months ended 31 December 2017:										
Profit for the period	–	–	–	–	–	–	21,033	21,033	5,940	26,973
Other comprehensive income	–	–	–	–	29,803	–	–	29,803	899	30,702
Total comprehensive income	–	–	–	–	29,803	–	21,033	50,836	6,839	57,675
Equity-settled share-based transactions *(Note 18)*	–	–	497	–	–	–	–	497	–	497
Appropriation to reserves	–	–	–	5,716	–	–	(5,716)	–	–	–
Purchase of own shares	–	–	–	–	–	(3,274)	–	(3,274)	–	(3,274)
Cancellation of shares	(50)	(5,798)	–	–	–	5,848	–	–	–	–
	(50)	(5,798)	497	5,716	–	2,574	(5,716)	(2,777)	–	(2,777)
Balance at 31 December 2017 *(Note)*	21,048	1,857,566	30,760	25,178	(28,368)	–	287,892	2,194,076	20,033	2,214,109

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

The notes on pages 13 to 65 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)
For the six months ended 30 June 2018 – unaudited
(Expressed in HK$)

	Attributable to equity shareholders of the Company								
	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	Total equity HK$'000
Balance at 1 January 2018	21,048	1,857,566	30,760	25,178	(28,368)	287,892	2,194,076	20,033	2,214,109
Impact on initial application of IFRS 9	–	–	–	–	–	(13,338)	(13,338)	(1,619)	(14,957)
Adjusted balance at 1 January 2018	21,048	1,857,566	30,760	25,178	(28,368)	274,554	2,180,738	18,414	2,199,152
Changes in equity for the six months ended 30 June 2018:									
Profit for the period	–	–	–	–	–	19,323	19,323	90	19,413
Other comprehensive income	–	–	–	–	(5,913)	–	(5,913)	(253)	(6,166)
Total comprehensive income	–	–	–	–	(5,913)	19,323	13,410	(163)	13,247
Appropriation to reserves	–	–	–	1,203	–	(1,203)	–	–	–
Dividends declared in respect of the current year	–	(21,048)	–	–	–	–	(21,048)	–	(21,048)
	–	(21,048)	–	1,203	–	(1,203)	(21,048)	–	(21,048)
Balance at 30 June 2018	21,048	1,836,518	30,760	26,381	(34,281)	292,674	2,173,100	18,251	2,191,351

The notes on pages 13 to 65 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 – unaudited
(Expressed in HK$)

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
		(Note)
Operating activities		
Cash generated from operations	**41,068**	30,174
Interest income received	**11,178**	917
Income tax paid	**(8,093)**	(5,367)
Net cash generated from operating activities	**44,153**	25,724
Investing activities		
Payments for the purchase of property, plant and equipment	**(5,551)**	(1,009)
Proceeds from disposal of property, plant and equipment	**691**	–
Capital contributions into joint ventures	**–**	(58,071)
Payment for the purchase of debt investments	**(481,159)**	(595,238)
Proceeds from sale of debt investments	**420,104**	582,290
Net cash used in investing activities	**(65,915)**	(72,028)

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

The notes on pages 13 to 65 form part of this interim financial report.

	Note	Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Note)
Financing activities			
Payment for purchase of own shares		**–**	(2,574)
Proceeds from the exercise of share options		**–**	3,239
Net cash generated from financing activities		**–**	665
Net decrease in cash and cash equivalents		**(21,762)**	(45,639)
Cash and cash equivalents at the beginning of the period	*16*	**1,128,780**	1,118,431
Effect of foreign exchange rate changes		**(969)**	3,064
Cash and cash equivalents at the end of the period	*16*	**1,106,049**	1,075,856

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

The notes on pages 13 to 65 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 (the "Company") was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares were transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2018 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures and an associate. The principal activities of the Group are the design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the services of civil communication transmission systems for use in public transportation systems to telecommunication companies, and the investment in new business in the railway transportation areas through investing in joint ventures and associates.

2 BASIS OF PREPARATION

This interim 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 28 August 2018.

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

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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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 66 to 67.

The financial information relating to the financial year ended 31 December 2017 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 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Overview (Continued)

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

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

	HK$'000
Retained earnings	
Recognition of additional expected credit losses on	
– Trade receivables	(10,201)
– Contract assets	(9,733)
Related tax	4,977
Net decrease in retained earnings at 1 January 2018	(14,957)
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	(1,619)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

(i) Classification of financial assets and financial liabilities

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

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

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

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

Notes:

(i) Trade and other receivables of HK$374,082,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15 (see Note 3(c)).

(ii) Under IAS 39, unlisted debt investments were classified as available-for-sale financial assets. They are classified as at FVPL under IFRS 9.

The measurement categories for all financial liabilities remain the same.

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

(ii) Credit losses

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

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

– financial assets measured at amortised cost (including trade and other receivables and cash and cash equivalents);

– contract assets as defined in IFRS15 (see Note 3(c)).

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(ii) *Credit losses* (Continued)

Measurement of ECLs

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

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

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

– variable-rate financial assets: current effective interest rate.

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(ii) Credit losses (Continued)

Significant increases in credit risk

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

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

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(ii) *Credit losses* (Continued)

Basis of calculation of interest income on credit-impaired financial assets (Continued)

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(ii) *Credit losses* (Continued)

Write-off policy

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

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

Opening balance adjustment

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

(iii) Transition

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

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

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

(i) Presentation of contract assets and liabilities

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

– "Gross amounts due from customers for contract work" and "trade receivables" amounting to HK$367,662,000 and HK$6,420,000 respectively, which were previously included in trade and other receivables are now included under contract assets.

– "Receipt in advance" amounting to HK$33,312,000 which were previously included in trade and other payables are now included under contract liabilities.

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

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

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

4 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

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

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

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

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. No operating segments have been aggregated to form the following reportable segments:

– Intelligent railway transportation: this segment provides design, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts.

– Civil communication transmission: this segment provides civil communication transmission services.

– Business development investment: this segment manages the equity investments in railway transportation areas.

(i) Segment results

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results* (Continued)

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2018 and 2017. The Group's other income and expense items, such as other income, selling, general and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure and interest income is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results* (Continued)

	Six months ended 30 June 2018			
	Intelligent Railway transportation HK$'000	Civil Communication transmission HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	20,022	-	-	20,022
Over time	48,093	69,046	-	117,139
Revenue from external customers and reportable segment revenue	68,115	69,046	-	137,161
Reportable segment gross profit	12,045	25,253	-	37,298
Share of profits of joint ventures and an associate	-	-	3,728	3,728

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results* (Continued)

	Six months ended 30 June 2017			
	Intelligent Railway transportation HK$'000	Civil Communication transmission HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	134,194	–	–	134,194
Over time	24,279	56,234	–	80,513
Revenue from external customers and reportable segment revenue	158,473	56,234	–	214,707
Reportable segment gross profit	35,192	20,364	–	55,556
Share of losses of joint ventures and an associate	–	–	(5,864)	(5,864)

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

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

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Salaries, wages and other benefits	**41,945**	33,962
Contributions to defined retirement plans	**4,890**	3,913
Equity-settled share-based payment expenses *(Note 18)*	**–**	607
	46,835	38,482

(b) Other items:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cost of inventories *(Note 13(b))*	**16,359**	88,494
Depreciation and amortisation	**23,850**	20,632
Operating lease charges in respect of office premises	**4,135**	3,977
Interest income	**(11,178)**	(917)
Investment income	**(2,772)**	(1,791)
Debt investments fair value change	**(1,372)**	–
Net foreign exchange loss/(gain)	**1,278**	(1,360)
Net (gain)/loss on disposal of property, plant and equipment *(Note 8)*	**(517)**	7

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current taxation:		
– Hong Kong Profits Tax	**284**	571
– PRC Corporate Income Tax	**5,380**	5,765
	5,664	6,336
Deferred taxation *(Note 19)*:		
– Origination and reversal of temporary differences	**(5,127)**	(1,208)
– Change in tax rate	**(3,883)**	–
	(9,010)	(1,208)
	(3,346)	5,128

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

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares:

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

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

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

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of HK$12,892,000 (six months ended 30 June 2017: HK$1,009,000).

Property, plant and equipment with a carrying amount of HK$174,000 was disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$7,000), resulting in a net gain on disposal of HK$517,000 (net loss during six months ended 30 June 2017:HK$7,000).

9 INTANGIBLE ASSETS

Intangible assets of the Group at 30 June 2018 mainly comprised self-developed software and income rights acquired with an aggregate carrying amount of HK$114,595,000 (31 December 2017: HK$125,375,000).

10 GOODWILL

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

	Note	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Operations in the provision of application solutions related services	*(i)*	**54,203**	54,670
Operations related to the civil communication transmission systems business	*(ii)*	**10,636**	10,727
		64,839	65,397

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 AND AN ASSOCIATE

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Unlisted equity investments at cost	**384,081**	384,698
Share of profits	**13,964**	11,610
Dividends declared	**–**	(1,374)
Exchange adjustments	**31**	(106)
	398,076	394,828

All of the joint ventures and an associate are accounted for using the equity method in the consolidated financial statements.

12 AVAILABLE-FOR-SALE DEBT INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group's unlisted debt investments on wealth management products issued by financial institutions with guaranteed principal amounts plus variable returns was accounted for as available-for-sale debt investments under IAS 39. As a result of adoption of IFRS 9, gross amounts of unlisted debt investments are included in other financial assets measured at FVPL (see Note 3(b)).

13 INVENTORIES AND OTHER CONTRACT COSTS

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

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Application solutions related software, hardware and spare parts	**83,598**	67,558
Materials to be assigned to service contracts	**16,008**	11,023
	99,606	78,581

(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	
	2018 HK$'000	2017 HK$'000
Carrying amount of inventories sold	**16,359**	88,494

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

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

Notes:

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

(ii) Upon the adoption of IFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional ECLs on contract assets. This has resulted in a decrease in this balance as at that date (see Note 3(b)).

(iii) Upon the adoption of IFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of retention period, were reclassified from "Trade and bills receivables" to contract assets (see Note 3(c)).

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

(Continued)

(b) Contract liabilities

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

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

(ii) Upon the adoption of IFRS 15, amounts previously presented as "Receipts in advance" under "Trade and other payables" were reclassified to contract liabilities (see Note 3(c)).

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Trade receivables due from *(Note 15(a))*:		
– third parties	**87,684**	252,660
– the ultimate holding company of the Company	**–**	170
– an affiliate of an equity shareholder of the Company	**16,686**	89,383
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	**9,783**	21,893
Bills receivable	**–**	6,241
	114,153	370,347
Gross amount due from customers for contract work *(Note)*:		
– third parties	**–**	186,056
– an affiliate of an equity shareholder of the Company	**–**	57,439
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	**–**	11,168
	–	254,663

15 TRADE AND OTHER RECEIVABLES (Continued)

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Amounts due from related parties *(Note 15(b))*:		
– equity shareholders of the Company and their affiliates	**236**	220
– a joint venture	**1,374**	1,374
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	**593**	957
	2,203	2,551
Less: loss allowance	**(10,201)**	–
Prepayments, deposits and other receivables	**23,071**	30,222
	129,226	657,783

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

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

15 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 2018 HK$'000	At 31 December 2017 HK$'000
Within 1 year	**79,867**	210,726
Over 1 year	**34,286**	159,621
	114,153	370,347

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

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

(b) Amounts due from related parties

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

16 CASH AND CASH EQUIVALENTS

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Cash at bank and on hand	**1,106,049**	1,128,780

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.

17 TRADE AND OTHER PAYABLES

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Trade payables due to third parties *(Note 17(a))*	**275,760**	317,782
Bills payable *(Note 17(a))*	**7,435**	23,816
	283,195	341,598
Amounts due to related parties *(Note 17(b))*:		
– an affiliate of an equity shareholder of the Company	**2,783**	723
– a non-controlling equity holder of a subsidiary of the Group	**5,400**	5,400
	8,183	6,123
Dividends payable	**21,048**	–
Accrued expenses and other payables	**11,481**	29,631
Financial liabilities measured at amortised cost	**323,907**	377,352
Other taxes payables	**6,768**	26,916
Receipts in advance from *(Note)*:		
– third parties	**–**	23,743
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	**–**	9,569
	–	33,312
	330,675	437,580

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

17 TRADE AND OTHER PAYABLES (Continued)

At 30 June 2018, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

(a) Ageing analysis

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

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

(b) Amounts due to related parties

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

18 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 on 26 July 2012 has lapsed on 25 July 2017, and the share options granted on 31 December 2013 and 5 December 2014 will lapse on 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.

(Expressed in HK$ unless otherwise indicated)

18 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	79,200,000		

18 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 2018		Year ended 31 December 2017	
	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/year	**HK$1.966**	**28,900**	HK$1.875	33,850
Exercised during the period/year	**HK$Nil**	**Nil**	HK$0.892	(3,632)
Forfeited during the period/year	**HK$Nil**	**Nil**	HK$2.585	(1,318)
Outstanding at the end of the period/year	**HK$1.966**	**28,900**	HK$1.966	28,900
Exercisable at the end of the period/year	**HK$1.966**	**28,900**	HK$1.966	28,900

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2018 was HK$Nil (year ended 31 December 2017: HK$1.48)

The share options outstanding at 30 June 2018 had a weighted average exercise price of HK$1.966 (31 December 2017: HK$1.966) and a weighted average remaining contractual life of 1.01 years (31 December 2017: 1.51 years).

19 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:

	Assets				Liabilities	
Deferred tax arising from:	**Amortisation and depreciation expenses in excess of the tax allowances**	**Accruals**	**Credit losses allowance** *(Note)*	**Total**	**Fair value adjustments on intangible assets and related amortisation**	**Net**
	HK$'000	HK$'000		HK$'000	HK$'000	HK$'000
At 31 December 2016	6,651	13,637	–	20,288	(24,257)	(3,969)
Exchange adjustments	145	427	–	572	(783)	(211)
(Charged)/Credited to the consolidated statement of profit or loss *(Note 6)*	(250)	519	–	269	939	1,208
At 30 June 2017	6,546	14,583	–	21,129	(24,101)	(2,972)
Exchange adjustments	182	675	–	857	(973)	(116)
(Charged)/Credited to the consolidated statement of profit or loss	(259)	3,684	–	3,425	966	4,391

19 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax arising from:	Assets: Amortisation and depreciation expenses in excess of the tax allowances HK$'000	Assets: Accruals HK$'000	Assets: Credit losses allowance *(Note)*	Assets: Total HK$'000	Liabilities: Fair value adjustments on intangible assets and related amortisation HK$'000	Net HK$'000
At 31 December 2017	6,469	18,942	–	25,411	(24,108)	1,303
Impact on initial application of IFRS 9 *(Note)*	–	–	4,977	4,977	–	4,977
Effect on deferred tax balances at 1 January resulting from a change in tax rate	932	–	–	932	2,951	3,883
Exchange adjustments	(219)	(300)	–	(519)	(553)	(1,072)
Credited to the consolidated statement of profit or loss *(Note 6)*	21	3,816	–	3,837	1,290	5,127
At 30 June 2018	7,203	22,458	4,977	34,638	(20,420)	14,218

Note: Upon the initial application of IFRS 9, the Group has recognised deferred tax assets on the additional credit loss recognised under the ECL model at 1 January 2018 (see Note 3(b)(ii)).

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

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

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

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

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

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

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 18 to the interim financial report.

21 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.

21 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 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Unlisted debt investments *(Note 12)*	**178,813**	116,760

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(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 2018 and 31 December 2017.

22 COMMITMENTS

(a) Capital commitments

At 30 June 2018, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Authorised and contracted for commitment in respect of investments in equity securities:		
Within 1 year	**23,841**	15,074
After 1 year but within 2 years	**–**	8,972
	23,841	24,046

(b) Operating lease commitments

(i) At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Within 1 year	**6,083**	8,961
After 1 year but within 5 years	**3,442**	5,143
	9,525	14,104

22 COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

(i) (Continued)

The Group leases certain office premises under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent lease rentals.

(ii) At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Within 1 year	**112,584**	117,712
After 1 year but within 5 years	**101,426**	102,418
	214,010	220,130

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.

23 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 2018 are set out below.

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Provision of design, implementation and sale of application solution services	**9,532**	2,763
Provision of maintenance of application solution services	**23,829**	20,546
Provision of civil communication transmission services	**–**	286
Operating lease expenses	**2,613**	2,414
Net increase in advances granted	**2,656**	88

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Provision of design, implementation and sale of application solution services	**–**	2,537

23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transaction with joint ventures and an associate

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Purchases of goods	**2,434**	–
Capital contributions	**–**	58,071

(d) Key management personnel remuneration

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Short-term employee benefits	**3,492**	4,392
Retirement scheme contributions	**212**	221
Equity compensation benefits	**–**	39
	3,704	4,652

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

23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(e) 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 23(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;
- maintenance of application solution services;
- civil communication transmission services;
- bank deposits; and
- purchase of other financial assets.

KPMG

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 65 which comprises the consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited as of 30 June 2018 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 2018 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

28 August 2018

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

Intelligent railway transportation services

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

Civil communication transmission services

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

Business development investment

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

FINANCIAL REVIEW

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

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

Revenue

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

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

Cost of sales

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

Gross profit

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

Investment income

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

Selling, general and administrative expenses

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

Profit attributable to equity shareholders of the Company

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

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

Cash position

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

Bank borrowings and charges on the Group's assets

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

Working capital and gearing ratio

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

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

Save as disclosed above, there were no other significant investments, material acquisitions or disposals of subsidiaries and affiliated companies, or other plans for material investments or capital assets during the six months ended 30 June 2018.

INTERIM DIVIDEND

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

BUSINESS PROSPECTS

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

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

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

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 2018, 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 of Hong Kong Limited (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	–	11.62%
	The Company	Beneficial owner	800,000	500,000 *(Note 2)*	0.06%
					11.69%

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 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 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.

Save as disclosed above, as at 30 June 2018, 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 2018, 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	–	11.62%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse *(Note 2)*	245,457,815	500,000	11.69%
Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK")	Beneficial owner *(Note 3)*	1,157,634,900	1,300,000	55.06%
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司) ("BII")	Interest of controlled corporation *(Note 3)*	1,157,634,900	1,300,000	55.06%
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	–	7.06%

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	–	9.08%
Central Huijin Investment Ltd.	Interest of controlled corporation *(Note 4)*	191,193,534	–	9.08%

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 hold 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 2018, 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 throughout the six months ended 30 June 2018. No incident of non-compliance with the Securities Dealing Code by the employees was noted by the Company.

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

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

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 2018, the Company had not granted any share options to its Directors or employees.

As at 30 June 2018, there were 28,900,000 outstanding share options granted under the Share Option Scheme, details as follows:

						Number of share options						
Grantee	Position/Capacity	Date of grant	Exercise price (HK$)	Vesting period	Exercise period	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance as at 30 June 2018	Market value per share on exercise of options*
BII HK	Substantial Shareholder	5 December 2014	2.69	5 December 2014 to 4 December 2015 *(Note 2)*	5 December 2015 to 4 December 2019 *(Note 2)*	1,300,000	–	–	–	–	1,300,000	–
Mr. Cao Wei	Vice Chairman and Executive Director	5 December 2014	2.69	5 December 2014 to 4 December 2015 *(Note 2)*	5 December 2015 to 4 December 2019 *(Note 2)*	500,000	–	–	–	–	500,000	–
Others	Employees	31 December 2013	1.08	31 December 2013 to 30 December 2014 *(Note 1)*	31 December 2014 to 30 December 2018 *(Note 1)*	13,000,000	–	–	–	–	13,000,000	–
Others	Employees	5 December 2014	2.69	5 December 2014 to 4 December 2015 *(Note 2)*	5 December 2015 to 4 December 2019 *(Note 2)*	14,100,000	–	–	–	–	14,100,000	–
Total						28,900,000	–	–	–	–	28,900,000	

Notes:

1. 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.

2. 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.

CHANGE IN DIRECTOR'S INFORMATION

Change in director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Ms. Xuan Jing, executive Director, was appointed as the chairman of BII Xin An with effect from 15 January 2018.

AUDIT COMMITTEE

The Company established the 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 2018, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

REVIEW OF INTERIM FINANCIAL 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 66 to 67 of this interim financial report.

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 2018.

EVENT DURING THE PERIOD FROM 30 JUNE 2018

The Group has no material subsequent event to be disclosed from 30 June 2018 up to the date of this report.

* *For identification purposes only*