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

2019
INTERIM REPORT

Numerical Illustration

Focus on railway transportation for
14 years

Cover
34 domestic
and **9** overseas cities

Possess
67
patents

Possess
239
software copyrights

Hold stakes in
30
enterprises

Record revenue of approximately
HK$ **496** million
in the first half of 2019, an increase of approximately
↑**262%**
year-on-year

Record profit of approximately
HK$ **62.06** million
in the first half of 2019, an increase of approximately
↑**220%**
year-on-year

Development Strategy

Strategic Objectives

Mission:

energise the railway transportation by intelligent technology

Position:

become a leading intelligent system service provider of railway transportation in China

Strategic Themes

One Body:

the core of its principal business based on the railway transportation intelligent system

One Platform:

a strategic investment and control platform to foster industry upgrade and market value appreciation

One Centre:

a big data centre equipped with core technological competitiveness

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This interim report is printed on environmentally friendly paper

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Wei *(Vice Chairman)*

Ms. Xuan Jing *(Chief Executive Officer)*

Non-Executive Directors

Mr. Zhang Yanyou *(Chairman)*

Mr. Guan Jifa

Mr. Zheng Yi

Mr. Ren Yuhang

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. Zhang Yanyou *(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

REGISTERED OFFICE

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Grand Cayman, KY1-1111
Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.biitt.cn

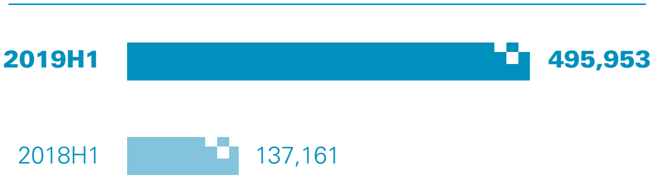
STOCK CODE

1522

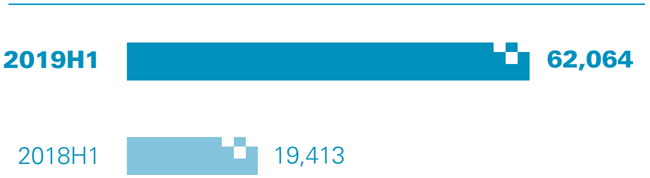
Financial Highlights

FINANCIAL INDICATOR:

Revenue (HK$'000)

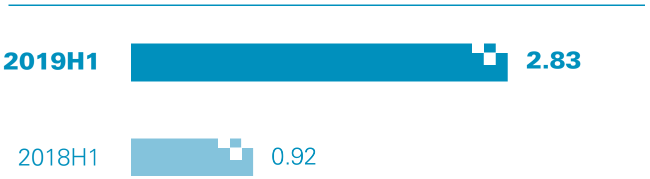


Profit for the period (HK$'000)



Gross profit rate

Earnings per share (HK$1 cent)



Management Discussion and Analysis

OVERVIEW

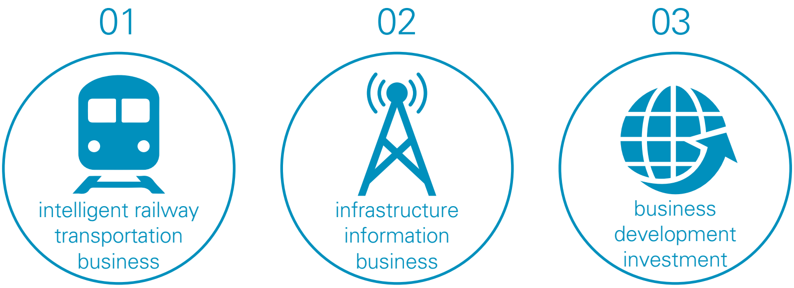
The development of railway transportation in China has entered its peak. According to information from the China Association of Metros (中國城市軌道交通協會), as of 30 June 2019, Mainland China had in total 6,126.82 kilometres city railway transportation lines operating in 37 cities with the addition of Wenzhou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

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

BUSINESS REVIEW

■ Business layout

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



Intelligent railway transportation business

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

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

Premium projects facilitated business expansion and the expansion towards market outside Beijing has achieved significant result. With the basis of the creation of quality product in Beijing, the Group exported "Beijing products + Beijing services". In the first half of 2019, the Group has forwarded effectively ongoing projects, including Zhengzhou ANCC project, and successively awarded the AFC procurement project of the railway transportation Line 4 of Kunming with a bid price of approximately RMB0.125 billion, the slow-traffic system perfection project of the First Ring of Luyang district in Hefei with a project sum of approximately RMB52.76 million and the on-board PIS project for Line 5, phase 2 of Line 6, Line 7 and phase 1 of Line 8 of the Hangzhou Metro with the aggregated project amount of approximately RMB0.124 billion. The Group was also awarded various projects including the passenger information system for 350km/h standardised electric multiple units and 350km/h standardised electric multiple units with high temperature resistance.

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

Infrastructure information business

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

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

Business development investment

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

Subway operation

The passenger traffic of the Beijing Metro Airport Express operated by Beijing Metro has surpassed 6 million, with daily average passenger traffic of 34 thousand for the six months ended 30 June 2019, representing an increase of 4.81% as compared to the same for the corresponding period in 2018. Its operating revenue and net profit have increased significantly and business outside Beijing has been proactively expanded.

Repair and maintenance

Metro Science and Technology relied on the professional AFC maintenance and repair business and took Beijing Metro Airport Express as pilot to progressively build a model of integrated maintenance and repair. Its operating results have shown an increasing trend.

Mobile payment

The number of the registered users of the software of Beijing Railway Transportation Online Ticket Service Platform developed by Ruyi has surpassed 16 million and the number of daily active users has reached 2 million. On 29 April 2019, the Easy Pass APP has been officially renamed as Ruubypay APP, which has provided an "easy and convenient" mode of city railway transportation mobile payment to 0.598 billion users since its commencement.

Industry fund

In the first half of 2019, the Group proactively explored new projects through Cornerstone Lianying and strictly selected the investment target in order to develop premium enterprise and further enrich the Group's business segments.

■ Innovation in research and development

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

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

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

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

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

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

■ Investment, financing and capital operation

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

Strategic acquisition of Huaqi Intelligent

Upon the completion of acquisition of Huaqi Intelligent in the first half of 2019, the Group has further reinforced the PIS business segment and succeeded in climbing to the first tier of the domestic PIS industry and effectively expanded the existing business scope to most parts of the country including East, South and Central China, so as to significantly simplify the core competitive edge of the Company as a whole.

Acquisition of the 10% equity interest of BII ERG

Furthermore, the Group has completed the acquisition of the 10% equity interest of BII ERG and made capital contribution of RMB20 million by means of cash so that it became a wholly-owned subsidiary of the Company. The profitability and market competitiveness of the Group can then be improved further.

Completion of HK$0.5 billion in debt financing in July 2019

As at 30 June 2019, the Group has a consolidated credit amount of RMB0.694 billion from the Construction Bank Corporation, Industrial and Commercial Bank of China, and the Industrial Bank. The Group received a loan of HK$0.5 billion from BII on 12 July 2019 for the routine operation, expansion of business scope and enhancement of research and development capability of the Group. Such loan constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 21 June 2019 for further information of the loan.

FINANCIAL REVIEW

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

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

Revenue

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

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

Cost of sales

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

Gross profit

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

Investment income

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

Selling, general and administrative expenses

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

Research expenses

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

Profit attributable to equity shareholders of the Company

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

Liquidity, financial and capital resources

Capital structure

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

Cash position

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

Bank and other borrowings

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

Working capital and gearing ratio

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

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period multiplied by 100%. As at 30 June 2019, the Group's gearing ratio was approximately 35.9% (31 December 2018: 27.8%). The increase in gearing ratio when compared with the end of last year was mainly due to the acquisition of Hauqi Intelligent.

Foreign exchange exposure

The Group has included two main operating subsidiaries in the current period. There are six main operating subsidiaries in total, one located in Hong Kong and the other five in Mainland China. All of the subsidiaries earn revenue in their local currencies. The Directors consider that the impact of foreign exchange exposure on the Group is insignificant. Therefore, the exchange rate risk of the transaction almost has no impact on the Group. As of June 30, 2019, the net exchange earnings of the Group due to exchange rate fluctuations amounted to approximate HK$14.1 million, mainly due to the exchange of foreign currencies by overseas enterprises through close monitoring of the trend of foreign exchange rates. As of June 30, 2019, the Group's foreign stock funds were mainly US dollars and Hong Kong dollars, as the Hong Kong dollar still remains pegged to the US dollar within a defined range, so the Group does not bear any significant foreign exchange risk in converting US dollars. The Group does not have any related hedging in foreign exchange. However, the Group will closely monitor the risk in foreign exchange.

Contingent liabilities

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

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

INTERIM DIVIDEND

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

BUSINESS PROSPECTS

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

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

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

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 2019, 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 SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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	–	11.65%
	The Company	Beneficial owner	800,000	500,000 *(Note 2)*	0.06%
					11.71%
Ms. Xuan Jing	The Company	Beneficial owner	4,032,000	–	0.19%

Notes:

1. These shares are held by 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 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.

Save as disclosed above, as at 30 June 2019, 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 2019, 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	–	11.65%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse *(Note 2)*	245,457,815	500,000	11.71%
BII HK	Beneficial owner *(Note 3)*	1,157,634,900	1,300,000	55.18%
BII	Interest of controlled corporation *(Note 3)*	1,157,634,900	1,300,000	55.18%
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	–	7.08%

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	–	9.10%
Central Huijin Investment Ltd.	Interest of controlled corporation *(Note 4)*	191,193,534	–	9.10%

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 2019, 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 the Securities Dealing Code on terms no less exacting than the Model Code.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 2019. No incident of non-compliance with the Securities Dealing Code by the employees was noted by the Company.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2019, the Company had not granted any share options to its Directors or employees.

As at 30 June 2019, there were 15,000,000 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 2019**	**Granted during the period**	**Exercised during the period**	**Cancelled during the period**	**Lapsed during the period**	**Balance as at 30 June 2019**	**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 1)*	5 December 2015 to 4 December 2019 *(Note 1)*	1,300,000	–	–	–	–	1,300,000	–
Mr. Cao	Executive Director	5 December 2014	2.69	5 December 2014 to 4 December 2015 *(Note 1)*	5 December 2015 to 4 December 2019 *(Note 1)*	500,000	–	–	–	–	500,000	–
Others	Employees	5 December 2014	2.69	5 December 2014 to 4 December 2015 *(Note 1)*	5 December 2015 to 4 December 2019 *(Note 1)*	13,450,000	–	–	–	250,000	13,200,000	–
Total						15,250,000	–	–	–	250,000	15,000,000	

Note:

1. 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.

CHANGES IN DIRECTORS' INFORMATION

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

1. Mr. Cao Wei, executive Director, resigned as the director of Beijing City Railway, Great Legend and ERG (HK) with effect from 12 March 2019.

2. Ms. Xuan Jing, executive Director, was appointed as the director of Huaqi Intelligent with effect from 28 February 2019 and was appointed as the chairman of BII Zhongfu with effect from 12 August 2019.

3. Mr. Guan Jifa, non-executive Director, was appointed as the chairman of Huaqi Intelligent with effect from 28 February 2019.

4. Mr. Ren Yuhang, non-executive Director, was appointed as the director of Huaqi Intelligent with effect from 28 February 2019.

5. Mr. Luo Zhenbang, independent non-executive Director, resigned as the independent non-executive director of Xinjiang Goldwind (stock code: 2208) listed on the Main Board of the Stock Exchange and the independent director of Xinjiang Goldwind (stock code: 2202) listed on the Shenzhen Stock Exchange both with effect from 22 June 2019.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and give material advice in respect of financial reporting; and oversee risk management and internal control systems of the Company.

As at 30 June 2019, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

REVIEW OF INTERIM FINANCIAL 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 30 to 31 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 2019.

EVENT DURING THE PERIOD FROM 30 JUNE 2019

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

Independent Review Report

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 32 to 97 which comprises the consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited as of 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated 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 2019 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

27 August 2019

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited
(Expressed in Hong Kong dollars ("HK$"))

	Note	Six months ended 30 June 2019 HK$'000	2018 HK$'000 (Note)
Revenue	4	**495,953**	137,161
Cost of sales		**(317,574)**	(99,863)
Gross profit		**178,379**	37,298
Other income		**37,152**	18,777
Net foreign exchange gain/(loss)		**14,085**	(1,278)
Selling, general and administrative expenses		**(91,713)**	(23,550)
Research expenses		**(44,796)**	(18,908)
Impairment losses		**(9,379)**	–
Profit from operations		**83,728**	12,339
Finance costs	5(a)	**(13,413)**	–
Share of profits of joint ventures and associates	11	**3,900**	3,728
Fair value change in contingent consideration	5(c)	**(2,400)**	–
Profit before taxation	5	**71,815**	16,067
Income tax	6	**(9,751)**	3,346
Profit for the period		**62,064**	19,413
Attributable to:			
Equity shareholders of the Company		**59,471**	19,323
Non-controlling interests		**2,593**	90
Profit for the period		**62,064**	19,413
Earnings per share			
– Basic (HK$)	7	**0.0283**	0.0092
– Diluted (HK$)	7	**0.0283**	0.0092

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

The notes on pages 41 to 97 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 21.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 – unaudited
(Expressed in HK$)

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

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

The notes on pages 41 to 97 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2019 – unaudited
(Expressed in HK$)

	Note	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000 (Note)
Non-current assets			
Property, plant and equipment	*3, 8*	**149,261**	107,415
Intangible assets	*9*	**248,376**	101,438
Goodwill	*10*	**631,900**	62,389
Interests in joint ventures and associates	*11*	**432,143**	413,466
Deferred tax assets	*20*	**29,040**	18,704
		1,490,720	703,412
Current assets			
Other financial assets	*12*	**143,458**	74,983
Inventories and other contract costs	*13*	**454,087**	79,027
Contract assets	*14(a)*	**441,585**	326,726
Trade and other receivables	*15*	**649,981**	789,723
Cash on hand and in bank	*16*	**304,934**	1,069,561
		1,994,045	2,340,020
Current liabilities			
Trade and other payables	*17*	**752,401**	394,444
Contract liabilities	*14(b)*	**54,860**	66,045
Lease liabilities	*3(d)*	**7,130**	–
Loans from a related party		**–**	342,388
Bank loans	*18*	**58,083**	–
Current taxation		**21,801**	24,887
Deferred income		**3,428**	–
Provision for warranties		**6,295**	–
Contingent consideration	*22(a)*	**81,489**	–
		985,487	827,764

	Note	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000 (Note)
Net current assets		**1,008,558**	1,512,256
Total assets less current liabilities		**2,499,278**	2,215,668
Non-current liabilities			
Lease liabilities	*3(d)*	**10,574**	–
Deferred tax liabilities	*20*	**54,737**	18,016
Provision for warranties		**1,727**	–
Contingent consideration	*22(a)*	**200,052**	–
		267,090	18,106
NET ASSETS		**2,232,188**	2,197,652
CAPITAL AND RESERVES	*21*		
Share capital		**21,001**	21,001
Reserves		**2,161,906**	2,147,809
Total equity attributable to equity shareholders of the Company		**2,182,907**	2,168,810
Non-controlling interests		**49,281**	28,842
TOTAL EQUITY		**2,232,188**	2,197,652

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

The notes on pages 41 to 97 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited
(Expressed in HK$)

	Attributable to equity shareholders of the Company								
	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)	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 previous year *(Note 21(b))*	–	(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 41 to 97 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 2018	21,048	1,836,518	30,760	26,381	(34,281)	–	292,674	2,173,100	18,251	2,191,351
Changes in equity for the six months ended 31 December 2018:										
Profit for the period	–	–	–	–	–	–	28,075	28,075	5,840	33,915
Other comprehensive income	–	–	–	–	(30,044)	–	–	(30,044)	(929)	(30,973)
Total comprehensive income	–	–	–	–	(30,044)	–	28,075	(1,969)	4,911	2,942
Capital injection by non-controlling shareholders of subsidiaries of the Group	–	–	–	–	–	–	–	–	5,680	5,680
Purchase of own shares	–	–	–	–	–	(2,321)	–	(2,321)	–	(2,321)
Cancellation of shares	(47)	(2,274)	–	–	–	2,321	–	–	–	–
Appropriation to reserves	–	–	–	3,172	–	–	(3,172)	–	–	–
	(47)	(2,274)	–	3,172	–	–	(3,172)	(2,321)	5,680	3,359
Balance at 31 December 2018 *(Note)*	21,001	1,834,244	30,760	29,553	(64,325)	–	317,577	2,168,810	28,842	2,197,652

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

The notes on pages 41 to 97 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$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019	21,001	1,834,244	30,760	29,553	(64,325)	317,577	2,168,810	28,842	2,197,652
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	–	–	–	–	–	59,471	59,471	2,593	62,064
Other comprehensive income	–	–	–	–	(23,900)	–	(23,900)	4,364	(19,536)
Total comprehensive income	–	–	–	–	(23,900)	59,471	35,571	6,957	42,528
Dividends declared in respect of the previous year *(Note 21(b))*	–	(21,001)	–	–	–	–	(21,001)	–	(21,001)
Acquisition of non-controlling interests *(Note 23)*	–	–	(473)	–	–	–	(473)	(21,251)	(21,724)
Acquisition of a subsidiary *(Note 22)*	–	–	–	–	–	–	–	34,733	34,733
Appropriation to reserves	–	–	–	15,186	–	(15,186)	–	–	–
	–	(21,001)	(473)	15,186	–	(15,186)	(21,474)	13,482	(7,992)
Balance at 30 June 2019	21,001	1,813,243	30,287	44,739	(88,225)	361,862	2,182,907	49,281	2,232,188

The notes on pages 41 to 97 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 – unaudited
(Expressed in HK$)

		Six months ended 30 June	
		2019	2018
	Note	**HK$'000**	HK$'000
			(Note)
Operating activities			
Cash (used in)/generated from operations		**(130,539)**	41,068
Interest income received		**13,601**	11,178
Income tax paid		**(21,109)**	(8,093)
Net cash (used in)/generated from operating activities		**(138,047)**	44,153
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(9,188)**	(5,551)
Proceeds from disposal of property, plant and equipment		**5**	691
Capital contribution to a joint venture		**(8,685)**	–
Dividends received		**3,093**	–
Net payments for debt investments		**(70,056)**	(61,055)
Net payment for acquisition of a subsidiary	*22*	**(803,788)**	–
Payment for acquisition of non-controlling interests of a subsidiary	*23*	**(21,724)**	–
Repayment of acquisition earnest deposit		**482,790**	–
Interest income received due from acquisition earnest deposit		**14,870**	–
Repayment of cash advances due from NetPosa Technologies Limited ("NetPosa")		**223,406**	–
Net cash used in investing activities		**(189,277)**	(65,915)

	Note	Six months ended 30 June 2019 HK$'000	2018 HK$'000 (Note)
Financing activities			
Proceeds from bank loans		**6,813**	–
Repayment of bank loans		**(97,060)**	–
Repayment of loans due to a related party		**(346,500)**	–
Capital element of lease rentals paid		**(5,363)**	–
Interest element of lease rentals paid		**(184)**	–
Interest paid to banks		**(2,301)**	–
Interest paid to a related party		**(12,419)**	–
Net cash used in financing activities		**(457,014)**	–
Net decrease in cash and cash equivalents		**(784,338)**	(21,762)
Cash and cash equivalents at the beginning of the period	*16*	**1,053,269**	1,128,780
Effect of foreign exchange rate changes		**(796)**	(969)
Cash and cash equivalents at the end of the period	*16*	**268,135**	1,106,049

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

The notes on pages 41 to 97 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 was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The interim financial report of the Company as at and for the six months ended 30 June 2019 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures and associates. The principal activities of the Group are the design, production, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, design, implementation and sale of related software, hardware and spare parts in underground pipe gallery areas, and the investment in the railway transportation areas through investing in equity.

2 BASIS OF PREPARATION

This 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 27 August 2019.

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

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 2018 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 30 to 31.

The financial information relating to the financial year ended 31 December 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2019.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the other developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

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

(a) Changes in accounting policies

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 8(a).

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

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

(ii) Lessee accounting (Continued)

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(a) Changes in accounting policies (Continued)

(ii) Lessee accounting (Continued)

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

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

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(c) Transitional impact

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

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

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(c) *Transitional impact* (Continued)

The following table reconciles the operating lease commitments as disclosed in Note 25(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(c) *Transitional impact* (Continued)

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(d) Lease liabilities

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

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

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

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

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

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(e) Impact on the financial results, segment results and cash flows of the Group (Continued)

	2019				2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under IAS 17 *(Note 1)* (C)	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under IAS 17
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**83,728**	**1,927**	**2,013**	**83,642**	**12,339**
Finance costs	(13,413)	184	–	(13,229)	–
Profit before taxation	**71,815**	**2,111**	**2,013**	**71,913**	**16,067**
Profit for the period	**62,064**	**2,111**	**2,013**	**62,162**	**19,413**

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, *Leases* (Continued)

(e) Impact on the financial results, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A)	Estimated amounts related to operating leases as if under IAS 17 *(Note 1&2)* (B)	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)	Compared to amounts reported for 2018 under IAS 17
	HK$'000	HK$'000	HK$'000	HK$'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash (used in)/generated from operations	(130,539)	(5,547)	(136,086)	41,068
Net cash (used in)/generated from operating activities	(138,047)	(5,547)	(143,594)	44,153
Capital element of lease rentals paid	(5,363)	5,363	–	–
Interest element of lease rentals paid	(184)	184	–	–
Net cash used in financing activities	(457,014)	5,547	(451,467)	–

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019.

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

4 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

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

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. For the six months ended 30 June 2019, the Group has expended its business in highway and underground pipe gallery and decided to change "Civil communication transmission" as previously reported for the year ended 31 December 2018 to "Infrastructure information" and incorporate these new business lines into this segment. As a result, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

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

– Infrastructure information: this segment provides civil communication transmission services as well as design, implementation and sale of related software, hardware and spare parts in underground pipe gallery areas.

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

(i) Segment results

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results* (Continued)

Revenue and costs are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2019 and 2018. The Group's other income and expense items, such as other income, net foreign exchange gain/(loss), selling, general and administrative expenses, research expenses, impairment losses and finance costs, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure and interest income is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

	Six months ended 30 June 2019			
	Intelligent railway transportation HK$'000	Infrastructure information HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	356,329	9,159	-	366,488
Over time	72,039	58,426	-	129,465
Revenue from external customers and reportable segment revenue	428,368	67,585	-	495,953
Reportable segment gross profit	170,492	7,887	-	178,379
Share of profits of joint ventures and associates	-	-	3,900	3,900

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

	Six months ended 30 June 2018			
	Intelligent Railway transportation HK$'000	Infrastructure information HK$'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)

(ii) Reconciliations of reportable segment profit or loss

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

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

(b) Staff costs:

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

5 PROFIT BEFORE TAXATION (Continued)

(c) Other items:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
		(Note)
Depreciation and amortisation		
– owned property, plant and equipment and intangible assets	**25,007**	23,850
– right-of-use assets	**1,927**	–
Operating lease charges in respect of office premises	**4,462**	4,135
Interest income	**(24,302)**	(11,178)
Investment income	**(729)**	(2,772)
Government grants	**(11,795)**	(2,970)
Reversal of impairment losses of trade and other receivables and contract assets	**(596)**	–
Fair value change of debt investments	**–**	(1,372)
Net foreign exchange (gain)/loss	**(14,085)**	1,278
Fair value change in contingent consideration	**2,400**	–
Net loss/(gain) on disposal of property, plant and equipment *(Note 8)*	**67**	(517)
Inventory write-down and losses net of reversals	**9,975**	–

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

6 INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current taxation:		
– Hong Kong Profits Tax *(Note (i))*	**995**	284
– PRC Corporate Income Tax *(Note (ii), (iii) & (iv))*	**16,388**	5,380
	17,383	5,664
Deferred taxation *(Note 20)*:		
– Origination and reversal of temporary differences	**(7,632)**	(5,127)
– Change in tax rate	**–**	(3,883)
	(7,632)	(9,010)
	9,751	(3,346)

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

(ii) The subsidiaries of the Group established in the People's Republic of China ("PRC") (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

6 INCOME TAX (Continued)

Notes: (Continued)

(iii) Certain subsidiaries of the Group enjoyed a preferential PRC Corporate Income Tax rate of 15% (six months ended 30 June 2018: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 75% of the qualified research and development costs incurred (six months ended 30 June 2018: 50%).

(iv) Pursuant to a certificate issued by Jiangsu Software Industry Association dated on 23 May 2019, a subsidiary of the Group was designated as a software enterprise. As such, this subsidiary was entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction with effect from 2019. As a result, this subsidiary enjoyed an exemption from PRC Corporate Income Tax for the six months ended 30 June 2019 (six months ended 30 June 2018: not applicable).

7 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

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

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

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in Note 3, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 3.

During the six months ended 30 June 2019, the Group recognised the additions to right-of-use assets of HK$18,583,000 for certain newly signed lease agreements.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of HK$37,889,000 (six months ended 30 June 2018: HK$12,892,000), including property, plant and equipment with a cost of HK$26,187,000 from acquisition of a subsidiary (Note 22) (six months ended 30 June 2018: Nil).

Property, plant and equipment with a carrying amount of HK$72,000 was disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$174,000), resulting in a net loss of HK$67,000 (six months ended 30 June 2018: net gain of HK$517,000).

9 INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group recognised addition of intangible assets of HK$162,015,000 from acquisition of a subsidiary (six months ended 30 June 2018: Nil), mainly comprising trademark and patent rights (Note 22).

10 GOODWILL

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

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Operations in the provision of application solutions related services *(Note (i))*	**621,708**	52,156
Operations related to the civil communication transmission systems business *(Note (ii))*	**10,192**	10,233
	631,900	62,389

Notes:

(i) Goodwill was arisen from the Group's acquisition of the 100% equity interests in Innovation Holding Co., Ltd. in 2013 and acquisition of the 95% equity interests in Suzhou Huaqi Intelligent Technology Co., Ltd. ("Huaqi Intelligent") in 2019.

(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 ASSOCIATES

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Unlisted equity investments at cost	**399,109**	381,377
Share of profits	**35,511**	31,611
Dividend declared	**(3,093)**	–
Exchange adjustments	**616**	478
	432,143	413,466

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

12 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 other financial assets measured at fair value through profit or loss.

13 INVENTORIES AND OTHER CONTRACT COSTS

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Carrying amount of inventories sold	**203,341**	16,359
Write-down of inventories	**9,975**	–
	213,316	16,359

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

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

(b) Contract liabilities

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Contract liabilities		
Service contracts		
– Billings in advance of performance	**54,860**	66,045

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Trade receivables due from *(Note 15(a))*:		
– third parties	**438,780**	228,208
– affiliates of an equity shareholder of the Company	**30,490**	28,376
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	**–**	22,182
– an associate of the Group	**2,875**	–
Bills receivable	**97,539**	–
	569,684	278,766
Amounts due from related parties *(Note 15(b))*:		
– equity shareholders of the Company and their affiliates	**255**	215
– a joint venture of the Group	**3,921**	1,141
– an affiliate of an equity holder of the non-controlling equity holder of a subsidiary of the Group	**–**	1,826
	4,176	3,182
Less: loss allowance	**(17,447)**	(10,554)
Prepayments, deposits and other receivables	**93,568**	41,269
Earnest deposit for acquisition	**–**	477,060
	649,981	789,723

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 2019 HK$'000	At 31 December 2018 HK$'000
Within 1 year	**467,513**	191,232
Over 1 year	**102,171**	87,534
	569,684	278,766

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

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

(b) Amounts due from related parties

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

16 CASH ON HAND AND IN BANK

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Cash on hand and in bank	**268,135**	1,053,269
Restricted bank deposits	**36,799**	16,292
Cash and cash equivalents in the consolidated statement of financial position	**304,934**	1,069,561
Less: restricted bank deposits	**(36,799)**	(16,292)
Cash and cash equivalents in the condensed consolidated cash flow statement	**268,135**	1,053,269

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 2019 HK$'000	At 31 December 2018 HK$'000
Trade payables due to *(Note 17(a))*		
– third parties	**525,667**	301,797
– an equity holder of the non-controlling equity holder of a subsidiary of the Group	**–**	236
– a joint venture of the Group	**3,010**	2,377
– an associate of the Group	**1,489**	–
Bills payable *(Note 17(a))*	**123,575**	20,071
	653,741	324,481
Amounts due to an affiliate of an equity shareholder of the Company	**2,684**	240
Accrued expenses and other payables	**86,165**	46,161
Financial liabilities measured at amortised cost	**742,590**	370,882
Other taxes payables	**9,811**	23,562
	752,401	394,444

At 30 June 2019, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

17 TRADE AND OTHER PAYABLES (Continued)

(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 2019 HK$'000	At 31 December 2018 HK$'000
Due within 6 months or on demand	**638,217**	324,481
Due after 6 months but within 1 year	**15,524**	–
	653,741	324,481

18 BANK LOANS

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

18 BANK LOANS (Continued)

Notes:

(i) As at 30 June 2019, the bank loans were guaranteed by Bank of Ningbo, a third party.

(ii) Some of the Group's bank loans are subject to fulfilment of covenants commonly found in lending agreements with financial institutions. If the Group were to breach the covenants, the drawn down loans would become payable on demand. The Group's management regularly monitors its compliance with these covenants. As at 30 June 2019, none of the covenants relating to the drawn down facilities has been breached.

19 SHARE-BASED TRANSACTIONS

(a) 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.

(Expressed in HK$ unless otherwise indicated)

19 SHARE-BASED TRANSACTIONS (Continued)

(a) Equity-settled share-based transactions: (Continued)

For the share options granted, 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 31 December 2013 has lapsed on 30 December 2018 and the share options granted on 5 December 2014 will lapse on 4 December 2019. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– 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 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	40,000,000		

19 SHARE-BASED TRANSACTIONS (Continued)

(a) Equity-settled share-based transactions: (Continued)

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

	Six months ended 30 June 2019		Year ended 31 December 2018	
	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$2.690**	**15,250**	HK$1.966	28,900
Forfeited during the period/year	**HK$2.690**	**(250)**	HK$1.157	(13,650)
Outstanding at the end of the period/year	**HK$2.690**	**15,000**	HK$2.690	15,250
Exercisable at the end of the period/year	**HK$2.690**	**15,000**	HK$2.690	15,250

The share options outstanding at 30 June 2019 had a weighted average exercise price of HK$2.690 (31 December 2018: HK$2.690) and a weighted average remaining contractual life of 0.43 years (31 December 2018: 0.93 years).

19 SHARE-BASED TRANSACTIONS (Continued)

(b) Cash-settled share-based transactions:

On 1 March 2019, the Group completed the acquisition of 95% equity interests of Huaqi Intelligent from NetPosa (Note 22). Six trenches of put-option were granted to certain management personnel of Huaqi Intelligent (the "Holders"), who collectively own 5% equity interests of Huaqi Intelligent (the "Underlying Assets"). Upon fulfilment of vesting conditions and subject to non-vesting condition, the Holders could put part/all of the Underlying Assets to the Group at pre-determined exercisable prices.

(i) Major terms and conditions of the grants are as follows:

	Percentage of the Underlying Assets subject to exercisable put-option	Vesting conditions *(Note (ii))*
Trench 1	Maximum 30% *(Note (i))*	
Trench 2	Maximum 30% *(Note (i))*	
Trench 3	All the Underlying Assets owned by the Holders during the exercisable period	
Trench 4	All the Underlying Assets owned by the Holders during the exercisable period	Service and performance conditions
Trench 5	All the Underlying Assets owned by the Holders during the exercisable period	
Trench 6	All the Underlying Assets owned by the Holders during the exercisable period	

(Expressed in HK$ unless otherwise indicated)

19 SHARE-BASED TRANSACTIONS (Continued)

(b) Cash-settled share-based transactions: (Continued)

(i) Major terms and conditions of the grants are as follows: (Continued)

Notes:

(i) The percentage of the Underlying Assets, of which put-option is exercisable, is subject to downward adjustment. If the audited consolidated profit after taxation arising from the ordinary course of business of Huaqi Intelligent, after deducting extraordinary items and one-off items (the "Actual Performance") is below the performance target (see below) for the years ending 31 December 2019 and 2020, but no less than 90% of the performance target, the exercisable put-option is 30% of the Underlying Assets multiple by percentage of the Actual Performance to the performance target of the relevant year.

(ii) Vesting conditions include service condition for each trench is providing employee service to Huaqi Intelligent upon excising date and the performance condition, as well as conditional on remain unlisted of Huaqi Intelligent. The performance condition of each trench is set out below:

Performance condition

Trench 1	Actual Performance for the year ending 31 December 2019 of Huaqi Intelligent is no less than RMB97,200,000, which is 90% of performance target for the year ending 31 December 2019 (RMB108,000,000)
Trench 2	Actual Performance for the year ending 31 December 2020 of Huaqi Intelligent is no less than RMB116,100,000, which is 90% of performance target for the year ending 31 December 2020 (RMB129,000,000)
Trench 3	(1) Actual Performance for the year ending 31 December 2021 of Huaqi Intelligent is no less than RMB139,500,000, which is 90% of performance target for the year ending 31 December 2021 (RMB155,000,000); and (2) aggregated Actual Performance for the 3 years ending 31 December 2021 is no less than the RMB392,000,000
Trench 4	(1) All the performance conditions of Trench 3; and (2) the performance of Huaqi Intelligent for the year ending 31 December 2022 shall meet the target to be set by the board of Huaqi Intelligent
Trench 5	(1) All the performance conditions of Trench 4; and (2) the performance of Huaqi Intelligent for the year ending 31 December 2023 shall meet the target to be set by the board of Huaqi Intelligent
Trench 6	(1) All the performance conditions of Trench 5; and (2) the performance of Huaqi Intelligent for the year ending 31 December 2024 shall meet the target to be set by the board of Huaqi Intelligent

(Expressed in HK$ unless otherwise indicated)

19 SHARE-BASED TRANSACTIONS (Continued)

(b) Cash-settled share-based transactions: (Continued)

(ii) The number and weighted average exercise of options are as follows:

	Six months ended 30 June 2019 Percentage of the Underlying Assets subject to put-option
Outstanding at the beginning of the period	–
Granted during the period	**100%***
Outstanding at the end of the period	**100%***
Exercisable at the end of the period	–

* 100% of the Underlying Assets represents 5% equity interests of Huaqi Intelligent.

The exercisable price of the trenches 1, 2 and 3 is determined based on a price to earning rate of 12.22 and the Actual Performance of Huaqi Intelligence for the years ending 31 December 2019, 2020 and 2021, respectively. Trenches 4 and 5 are the result of the deferred trench 3 subject to the fulfilment of performance target for the years ending 31 December 2022 and 2023. The exercisable price of trench 6 is determined based on a price to earning rate of 12.22 and the Actual Performance of Huaqi Intelligence for the year ending 31 December 2024.

19 SHARE-BASED TRANSACTIONS (Continued)

(b) Cash-settled share-based transactions: (Continued)

(iii) Fair value of options and assumptions

The fair value of services received in return for put-options granted is measured by reference to the fair value of put-options granted. The estimate of the fair value of the put-options granted is measured based on Black-Scholes model and expected likelihood of occurrence of non-vesting condition. The expected exercise price, expected period, expected volatility of the price of the Underlying Assets, expected dividend yield, the risk free rate and market price of the Underlying Assets are used as the key inputs into the model with reference to the acquisition agreement and comparable companies historical trading information.

Expected fulfilment of vesting conditions is taken into account by adjusting the number of exercisable put-options included in the measurement of the liabilities arising from the outstanding put-options.

The fair value of the liabilities arising from the outstanding put-options as at 30 June 2019 is HK$207,000. Changes in the subjective input assumptions could materially affect the fair value estimation.

20 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	Write-down of inventories	Deferred income	Provision for warranties	Total	Fair value adjustments on intangible assets and related amortisation	Net
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1 January 2018	6,469	18,942	4,977	–	–	–	30,388	(24,108)	6,280
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
Effect on deferred tax balances resulting from a change in tax rate	–	(5,960)	–	–	–	–	(5,960)	–	(5,960)
Exchange adjustments	(15)	(221)	(179)	–	–	–	(415)	1,285	870
(Charged)/credited to the consolidated statement of profit or loss	(90)	(8,160)	(1,309)	–	–	–	(9,559)	1,119	(8,440)
At 31 December 2018	7,098	8,117	3,489	–	–	–	18,704	(18,016)	688

20 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax arising from:	Assets							Liabilities	
	Amortisation and depreciation expenses in excess of the tax allowances	Accruals	Credit losses allowance	Write-down of inventories	Deferred income	Provision for warranties	Total	Fair value adjustments on intangible assets and related amortisation	Net
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	7,098	8,117	3,489	–	–	–	18,704	(18,016)	688
Exchange adjustments	12	(152)	(58)	(72)	(17)	(39)	(326)	1,271	945
Increase from acquisition of a subsidiary	–	183	1,269	1,901	556	1,317	5,226	(40,188)	(34,962)
(Charged)/credited to the consolidated statement of profit or loss *(Note 6)*	(2,286)	6,374	282	1,166	(25)	(75)	5,436	2,196	7,632
At 30 June 2019	4,824	14,522	4,982	2,995	514	1,203	29,040	(54,737)	(25,697)

21 DIVIDENDS

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

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$Nil).

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

	2019 HK$'000	2018 HK$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$1 cent (2018: HK$1 cent) per ordinary share	**21,001**	21,048

22 BUSINESS COMBINATION

On 29 November 2018, the Group entered into an acquisition agreement with NetPosa, Huaqi Intelligent and Mr. Liu Guang, pursuant to which the Group acquired 95% equity interests of Huaqi Intelligent from NetPosa at the consideration of RMB1,045,000,000 (equivalent to approximately HK$1,191,300,000). The acquisition was completed on 1 March 2019. As a result, Huaqi Intelligent became a subsidiary of the Company.

During the six months ended 30 June 2019, Huaqi Intelligent contributed revenue of HK$287,532,000 and profit of HK$55,258,000 to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been HK$534,483,000, and consolidated profit for the period would have been HK$58,166,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

(a) Consideration

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	HK$'000
Cash / Consideration transferred	918,816
Contingent consideration *(Note)*	287,910
Total consideration	1,206,726

22 BUSINESS COMBINATION (Continued)

(a) Consideration (Continued)

Note:

Pursuant to the acquisition related agreements and its supplement agreements, 25% of total consideration is split into three batches of payment, which are deferred to years ending 31 December 2020, 2021 and 2022, respectively. And these batches of payment are subject to downward adjustment based on Actual Performance of Huaqi Intelligent for the years ending 31 December 2019, 2020 and 2021, respectively. As at 30 June 2019, the carrying amounts of current and non-current portion of contingent consideration are HK$81,489,000 and HK$200,052,000, respectively.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of HK$7,781,000 relating to external legal fees, due diligence costs, valuation and audit costs. These costs have been included in "Selling, general and administrative expenses" in the consolidated statements of profit or loss during relevant periods.

22 BUSINESS COMBINATION (Continued)

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	HK$'000
Property, plant and equipment	26,187
Intangible assets	162,015
Interests in associates	16,451
Deferred tax assets	5,226
Inventories	368,244
Trade and other receivables	253,949
Cash advances due from NetPosa	225,710
Cash on hand and in bank	98,547
Trade and other payables	(297,559)
Contract liabilities	(18)
Bank loans	(151,573)
Current taxation	(640)
Deferred tax liabilities	(40,188)
Deferred income	(3,704)
Provision for warranties	(8,781)
Total identifiable net assets acquired	653,866

The fair values have been measured on a provisional basis. The fair value of intangible assets has been measured provisionally, pending completion of an independent valuation. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

22 BUSINESS COMBINATION (Continued)

(d) Goodwill

Goodwill arising from the acquisition at the date of acquisition has been recognised as follows.

	HK$'000
Total consideration	1,206,726
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities	34,733
Fair value of identifiable net assets	(653,866)
Goodwill	587,593

The goodwill is attributable mainly to the skills and technical talents of Huaqi Intelligent's workforce, and the synergies expected to be achieved from integration between the Group's existing intelligent railway transportation business and Huaqi Intelligent. None of the goodwill recognised is expected to be deductible for tax purposes.

23 ACQUISITION OF NON-CONTROLLING INTERESTS

In February 2019, the Group acquired an additional 10% equity interest in BII Transportation Technology (Beijing) Co., Ltd. ("BII ERG"). BII ERG became indirectly wholly owned subsidiary of the Company.

The following table summarises the effect of changes in the Company's ownership interest in BII ERG.

	HK$'000
Carrying amount of non-controlling interests acquired	21,251
Consideration paid in cash	21,724
A decrease in equity attributable to equity shareholders of the Company	(473)

24 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: 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: 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: Fair value measured using significant unobservable inputs.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 30 June 2019 HK$'000	Fair value measurement as at 30 June 2019 categorised into Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets	143,458	143,458	–
Financial liabilities:			
Contingent consideration, current	81,489	–	81,489
Contingent consideration, non-current	200,052	–	200,052

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2018 HK$'000	Fair value measurement as at 31 December 2018 categorised into Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets	74,983	74,983	–

During the six months ended 30 June 2019, 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.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(iii) Information about Level 3 fair value measurements

The fair value of contingent consideration is determined using valuation model considering the present value of expected payments, discounted using a risk-free discount rate.

The significant unobservable inputs used in the fair value measurements are as follows:

	Years ending 31 December		
	2020	2021	2022
	HK$'000	HK$'000	HK$'000
Significant unobservable inputs			
Expected cash flows in respective year	83,058	95,032	118,886
Risk-free interest rate	2.10%	2.75%	2.75%

The expected cash flows represent consideration to be paid for the acquisition of Huaqi Intelligent (Note 22) during the years ending 31 December 2020, 2021 and 2022, respectively. At 30 June 2019, no downward adjustment is expected, as the directors of the Company is of the opinion that Huaqi Intelligent will almost achieve performance target during the years ending 31 December 2019, 2020 and 2021, respectively. At 30 June 2019, if the risk-free discount rate held constant, a 5% decrease in expected cash flows in each of the years ending 31 December 2020, 2021 and 2022 will result increase of HK$14,267,000 in the Group's consolidated profits.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(iii) Information about Level 3 fair value measurements (Continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Contingent consideration HK$'000
Balance at 1 January 2019	–
Increase from acquisition of a subsidiary	287,910
Loss included in "Fair value change in contingent consideration"	
– Net change in fair value (unrealised)	2,400
Gain included in "Other comprehensive income"	
– Net foreign exchange gain	(8,769)
Balance at 30 June 2019	281,541

(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 2019 and 31 December 2018.

25 COMMITMENTS

(a) Capital commitments

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Authorised and contracted for commitment in respect of investments in equity securities	**589,513**	322,453

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018 HK$'000
Within 1 year	8,680
After 1 year but within 5 years	1,838
	10,518

The Group is the lessee in respect of certain office premises held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as "Lease liabilities" in the statement of financial position in accordance with the policies set out in Note 3.

26 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 2019 are set out below.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Repayments of loans to a related party	**346,500**	–
Interests expenses of loans from a related party	**11,550**	–
Provision of design, implementation and sale of application solution services	**17,159**	9,532
Provision of maintenance of application solution services	**23,283**	23,829
Office rental fees	**2,737**	2,613
Net decrease in advances received	**9,030**	–
Net increase in advances granted	**37**	2,656

26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction with a joint venture and an associate

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Purchases of goods	**9,108**	2,434
Dividend from a joint venture	**3,093**	–
Provision of design, implementation and sale of application solution services	**2,577**	–

(c) Key management personnel remuneration

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Short-term employee benefits	**3,850**	3,492
Retirement scheme contributions	**168**	212
	4,018	3,704

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

26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) 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 26(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;
- bank loans; and
- purchase of other financial assets.

27 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

Definitions

"ACC"	the Automatic Fare Collection Clearing Centre
"AFC"	the Automatic Fare Collection System
"ANCC"	the Automatic Fare Collection Network Control Centre
"Audit Committee"	the audit committee of the Company
"Beijing City Railway"	北京城市軌道交通控股有限公司 (Beijing City Railway Holdings Company Limited*)
"Beijing Metro"	北京京城地鐵有限公司 (Beijing Metro Co., Ltd.*)
"BII"	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*), a company established in the PRC with limited liability
"BII ERG"	北京京投億雅捷交通科技有限公司 (BII Transportation Technology (Beijing) Co., Ltd.*)
"BII HK"	Beijing Infrastructure Investment (Hong Kong) Limited
"BII Zhongfu"	京投眾甫科技有限公司 (BII Zhongfu Technology Co., Ltd*)
"Board"	the board of Directors of the Company
"CNAS"	中國合格評定國家認可委員會 (China National Accreditation Service for Conformity)
"Company"	京投軌道交通科技控股有限公司 (BII Railway Transportation Technology Holdings Company Limited), a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange

"Cornerstone Lianying"	保定基石連盈創業投資基金中心（有限合夥）, (Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)*)
"DAkkS"	德國認證認可委員會 (Deutsche Akkreditierungsstelle GmbH)
"Director(s)"	directors of the Company
"ERG (HK)"	京投交通科技（香港）有限公司 (BII Transit Systems (HK) Co., Ltd)
"Great Legend"	華駿發展有限公司 (Great Legend Development Limited)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaqi Intelligent"	蘇州華啟智能科技有限公司 (Suzhou Huaqi Intelligent Technology Co., Ltd.*), a company established in the PRC with limited liability
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Metro Science and Technology"	北京地鐵科技發展有限公司 (Beijing Metro Science and Technology Development Co. Ltd.*)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

"More Legend"	More Legend Limited
"MTR"	香港鐵路有限公司 (Mass Transit Railway Corporation Limited*)
"NetPosa"	東方網力科技股份有限公司 (NetPosa Technologies Limited*)
"PIS"	Passenger Information System
"PPP"	政府和社會資本合作 (Public-Private Partnership)
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Ruyi"	北京如易行科技有限公司 (Beijing Ruyi Technology Co., Ltd.*)
"Securities Dealing Code"	the Company's own code of conduct for securities transactions regarding Directors' and employees' dealings in the Company's securities
"SFO"	the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong
"Share Option Scheme"	the share option scheme adopted by the Company
"SIL 2"	Safety integrity Level 2
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TOD"	Transit-oriented development
"Xinjiang Goldwind"	新疆金風科技股份有限公司 (Xinjiang Goldwind Science & Technology Co., Ltd.*)

* *For identification purposes only*