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

2020 INTERIM REPORT

REMODELING
2021

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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. Guan Jifa *(appointed on 30 March 2020)*
Mr. Huang Lixin
Mr. Cao Wei *(resigned on 30 March 2020)*

NOMINATION COMMITTEE
Mr. Zhang Yanyou *(Chairman)*
Mr. Bai Jinrong
Mr. Huang Lixin

AUDITORS
KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISERS TO THE COMPANY
Chiu & Partners

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
Jingtou Plaza, No.6 Xiaoying North Road
Chaoyang District, Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 4407, 44/F, COSCO Tower
183 Queen's Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
Suntera (Cayman) Limited *(Note)*
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Note: Formerly known as SMP Partners (Cayman) Limited, with the effective date of change of name from 4 September 2020

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

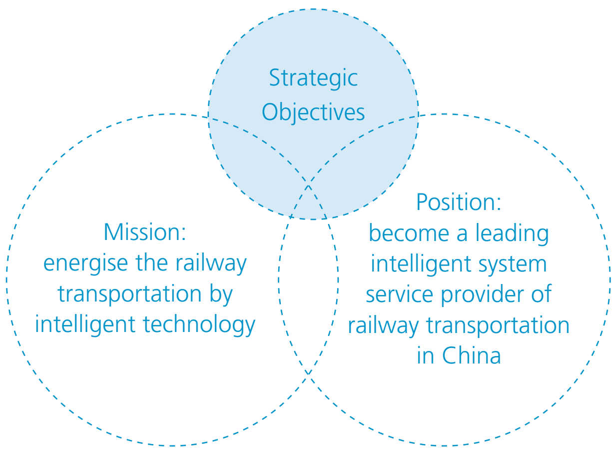
COMPANY OVERVIEW

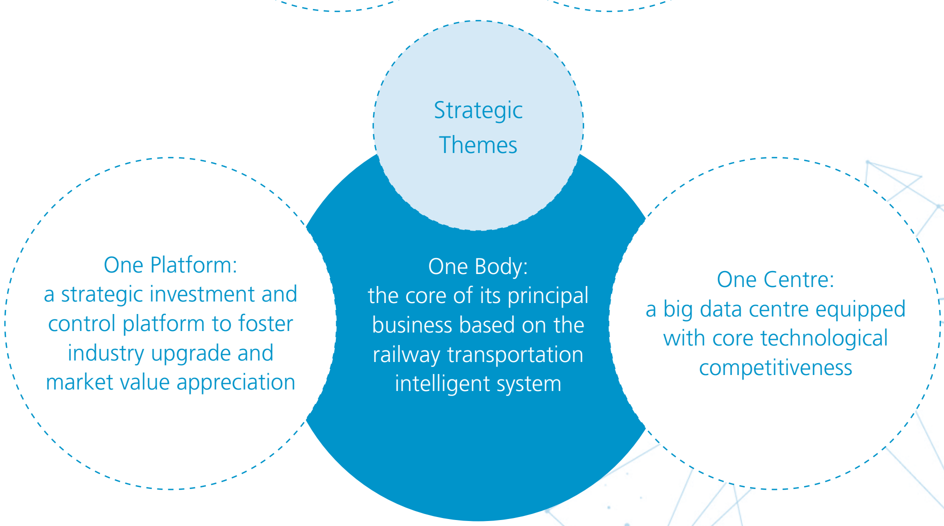
COMPANY INTRODUCTION

The Group is a high-tech enterprise specialising in the field of rail transit, integrating investment and financing, technology R&D, and intelligent rail transport construction, operation and maintenance. The Company was listed on the Growth Enterprise Market (GEM) of The Stock Exchange of Hong Kong Limited* (香港聯合交易所有限公司) ("Stock Exchange") on 16 May 2012 and transferred to Main Board of the Stock Exchange on 6 December 2013, with the stock code of 1522.

The Group, which concentrates on rail transit, focuses on two core businesses, namely:

intelligent rail transit	Its intelligent rail transit business provides hardware and software products and services to clients in high-speed rail, intercity, urban and suburban railway, subway and other fields in both domestic and overseas markets. It is an industry leader in China in terms of PIS and AFC businesses.
infrastructure information	As for its infrastructure information business mainly based in Beijing, the Group is a leading provider of civil communications transmission systems for subways and integrated utility tunnel informatisation systems.



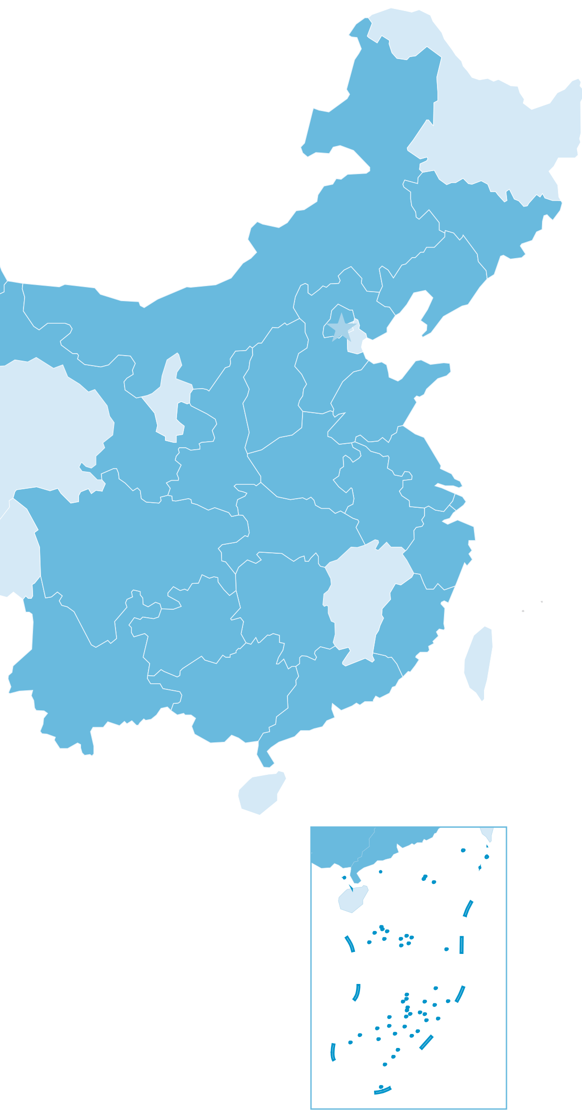


MARKET STRATEGY

The Group adheres to its market strategy of "relying on Beijing and Hong Kong, radiating across the country, and making presence in international markets", has been making remarkable results in market expansion.

As of 30 June 2020, the Group's businesses covered 43 cities in China, where it provided products and services, including intelligent rail transit and infrastructure information. As for overseas market, it has expanded into 13 cities overseas in 8 countries and regions, where it provided intelligent rail transit-related (PIS) products and services.

● Areas covered by our businesses in China



● Areas covered by our businesses overseas

SUMMARY WITH FIGURES

The Group concentrates on rail transit for

15 YEARS

Its businesses cover

43 CITIES

in China and

13 CITIES

overseas in 8 countries and regions.

It owns

80

PATENTS

and obtains

308

SOFTWARE COPYRIGHTS.

As of 30 June 2020, the orders on hand of the Group was approximately

HK$2.17 BILLION.

CHINA'S FIRST

technology company that has achieved MLC standardisation.

CHINA'S FIRST

data warehouse-based information centre.

CHINA'S FIRST

cloud-based ANCC system combining AFC Clearing Centre and MLC systems.

CHINA'S FIRST

high-tech enterprise capable of providing products and technologies, system integration, operation services and technical consultation for high-speed rail, normal-speed railway, urban rail transit, intercity railway, and urban railway.

Revenue in H1 of 2020 was approximately

HK$530.1 MILLION

a year-on-year increase of approximately

6.9%

Profit attributable to equity shareholders in H1 of 2020 was approximately

HK$32.7 MILLION

a year-on-year decrease of approximately

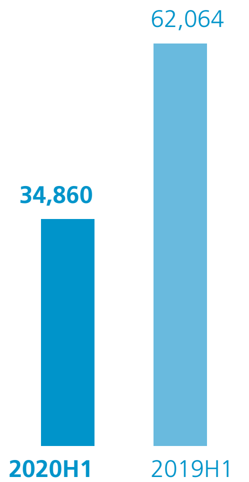
45.0%

FINANCIAL HIGHLIGHTS

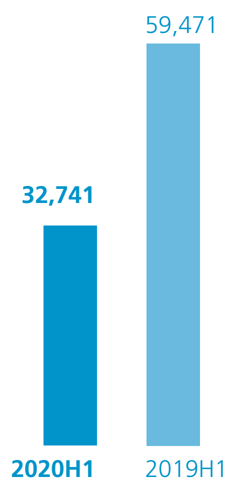
Revenue (HK$ Thousand)

Operating profit (HK$ Thousand)

Profit for the Period (HK$ Thousand)

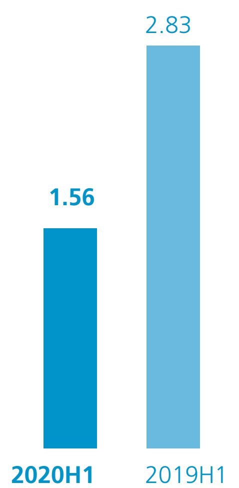


Profit attributable to equity shareholders (HK$ Thousand)



Gross margin

Earnings per share (HK$ cent)



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS ENVIRONMENT

The outbreak and spread of COVID-19 had a huge impact on the global, as well as China's, economic and social activities in the first half of 2020. As a result, liquidity in capital markets weakened, and China's economy was hit hard, which had a phased effect on the industry, manufacturing, transportation, service and other sectors. The International Monetary Fund (IMF) has reduced the global GDP growth in 2020 from its January forecast of 3.3% to a June forecast of –4.9%. This may indicate the worst economic recession since the Great Depression in the 1930s. China is the first to take proactive measures to control the pandemic and to stabilise the economy and ensure supply. Under the guidance of China's macro policies, "new infrastructure", represented by digital infrastructure, has accelerated the economic transformation in the country, which has broad prospects. In the meantime, China has entered into an unprecedentedly active period of technological innovation with artificial intelligence, big data and quantum information, etc., driving industrial transformation and upgrading in this new round of technological revolution. In addition, digital economy has become a new momentum of economic development.

Hardships and hopes coexist, so do opportunities and challenges. The public travel demand dropped due to the pandemic and passenger flow plunged significantly. Moreover, the bidding, construction and check and acceptance of rail transit projects generally ran behind schedule. The light of recovery was seen in May when China's efforts to curb the outbreak produced initial results, with resumption of project construction and passenger traffic in the transportation sector started to rise. However, the outbreak has brought new opportunities and challenges to the rail transit industry. For instance, passengers' behaviour, travel pattern, services they needed, passenger control and management have been undergoing changes, which will lead to a revolution in the traditional rail transit industry. New practise will appear as a result of the rapid and effective application of big data, artificial intelligence, 5G, Internet of Things (IoT) and other information technologies in emergency situations.

Currently, China's urban rail transit sector are still seeing rapid growth in investment, with project investment and scale of operation expanding. The number of cities that open and operate rail transit lines is gradually increasing. In the first half of 2020, new urban rail transit lines spanning a length of 272.54 km, with new investments of approximately RMB230.62 billion was approved. It's expected that two additional cities will begin to operate urban rail transit lines in the second half of 2020 and the length of the new lines will reach around 800 km. Meanwhile, the railway construction moves forward steadily and investments remain at a high level, with approximately RMB800 billion to be invested in railway in 2020. New railway lines to be opened this year will total 4,400 km. Rail transit, as a mobility way that has inelastic demand, will enter a period with a significant increase in investments and rapid construction and operation after the pandemic improves. The new operating mileage of rail transit during the 14th Five-year Plan period is expected to rise to a higher level from that during the 13th Five-year Plan period. The rail transit market is still in an incremental stage.

BUSINESS OVERVIEW

The pandemic has a certain negative impact on the Group's operations. The implementation of projects under construction and market expansion advanced slowly in the first quarter of this year. The Group encountered difficulties in market expansion, due to a decline in the number of bids and tenders and slow progress of projects. With the pandemic stabilised in the second quarter, the Group has stepped up efforts to get out of the dilemma, which showed remarkable results. New orders delayed resurged in large quantity and project construction resumed back on track. Its financial position and business performance demonstrated a good development trend. In the face of this sudden outbreak, the Group, which relied on its technical strength and use of information technologies, took various actions to cut costs and improve efficiency and was able to resume production in an orderly manner under the premise of ensuring the safety of employees. Besides, the Group has applied for government supportive aids and compensation to mitigate the impact of the pandemic.

The Group's main businesses marked a steady growth in the first half of 2020. The revenue recorded a 6.9% year-on-year growth to approximately HK$530.1 million during the six months ended 30 June 2020. The segment revenue generated by the intelligent rail transit business and infrastructure information business climbed 7.4% and 3.4% year on year to approximately HK$460.2 million and approximately HK$69.9 million, respectively. The gross profit margin was approximately 42.0%, up 6.0 percentage points from the previous year. The Group's operating profit was approximately HK$89.9 million, representing a year-on-year rise of approximately 7.4%.

Affected by the pandemic, Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) ("Beijing Metro") (which the Group holds a 49% stake in the joint venture) saw a year-on-year decline of 75% on average passenger flow and a sharp drop in fare revenue in the first half of 2020. As the pandemic stabilised, the passenger flow of Beijing Subway Capital Airport Express operated by Beijing Metro gradually picked up in July and August 2020, with drop of monthly passenger flow from 91% to 58% year-on-year. Meanwhile, Beijing Metro took action to reduce costs and improve efficiency and applied for supporting policies from the government. Beijing Metro recorded a loss of approximately HK$24.6 million, a year-on-year decrease of approximately HK$30.1 million. To promote the steady, long-term development of Beijing Metro, its shareholders are actively discussing the business model of Beijing Metro. The Group's profit for the period was approximately HK$34.9 million in the first half of 2020, down 43.8% year on year, primarily due to the impact of Beijing Metro.

The Group took a pragmatic approach in managing its operating cash flow in the first half of 2020. Although inventory turnover slightly increased leading to a net outflow of approximately HK$12.8 million from operating cash flow, gearing ratio remained at around 43.7%, similar to that in 2019. Its debt level was reasonable and controllable. The Group's cash and bank balances stood at approximately HK$747.9 million as at 30 June 2020, a decrease of approximately HK$103.0 million from HK$850.9 million recorded as at 31 December 2019. The decline is largely due to the payment of the third consideration of HK$71.9 million for the acquisition of Suzhou Huaqi Intelligent Technology Co., Ltd. (蘇州華啟智能科技有限公司) ("Huaqi Intelligent") during the Period.

BUSINESS REVIEW

Despite the pandemic, the Group fulfilled successfully its contract duty and pushed forth project with safety and high efficiency, including Zhengzhou Automatic Fare Collection Network Control Centre ("ANCC"), the Automated Fare Collection System ("AFC") project of Zhengzhou Metro Line 4, Foshan Automatic Fare Collection Clearing Centre ("ACC"), Taiyuan ACC, Fuzhou Passenger Information System ("PIS") and Beijing New Airport's utility tunnel project, in a smooth and orderly manner by using different information technologies online and offline. All 124 project-under-construction resumed operation to the largest extent as of 30 June 2020, meeting client expectations and guaranteeing income for the Group. As for Hong Kong market, the Group continued to receive special demands after the outbreak of COVID-19, the Group has made immediate responses and provided high-quality services to ensure the normal operation of the city's metro lines and the mobility safety of citizens.

As of 30 June 2020, the orders on hand of the Group were approximately HK$2.17 billion, a growth of approximately HK$180 million from approximately HK$1.99 billion at the beginning of this year. It has expanded its footprints to four additional cities in Mainland China, including Taiyuan and Shaoxing, and another two countries, namely Mexico and Brazil adhering to its market strategy of "relying on Beijing and Hong Kong, expanding across the country, and making presence in international markets". The Group's businesses have currently covered a total of 43 domestic cities and 13 overseas cities in eight countries and regions.

BUSINESS ANALYSIS BY SEGMENT

Intelligent Rail Transit Business

The Group's intelligent rail transit business mainly involves the design, construction, operation and maintenance of AFC, ACC, Traffic Control Centre ("TCC") and PIS. Revenue of this segment was approximately HK$460.2 million for the first half, representing a year-on-year increase of 7.4%. Significant growth was achieved in both project construction and new business expansion in the intelligent rail transit segment during the first half of 2020.

Continued growth in Beijing

The number of new bid-winning projects and new contracts in Beijing totalled 41 in the first half of 2020.

- Secured an approximately RMB17.69 million worth of contract on the phase 2 AFC project of Beijing Rail TCC;

- Signed contracts on the projects of connecting Beijing New Airport line, the eastern extension of Beijing Subway Line 7 and the southern extension of Batong Line to the ACC/TCC system of Beijing Metro Network Control Centre. The contracts were valued at approximately RMB18.64 million;

- Won the bidding on the projects of connecting Beijing Suburban Railway Beijing-Chengde Line, the western extension of the Sub-center Line, northeastern ring and Beijing North Railway Station to the AFC system of Huairou-Miyun Line, and the equipment procurement project of existing Multiple Line Centre ("MLC") projects. The bid price amounted to approximately RMB27.51 million;

- Won the bidding of the southern AFC project of Beijing Subway Changping Line for approximately RMB32.8 million;

- Won the biddings on Beijing New Airport's highway unconscious payment project. The bid price was approximately RMB11.08 million. The unconscious payment project is a major innovation in the management model of highways as it uses two kinds of mobile payment gateways: payment through QR codes and license plates which avoid the problem of electronic toll collection (ETC) equipment installation, giving convenience for users, and shortened the time of cash payment, marking a new era in mobile toll collection in highways.

Besides, the Group has set up a joint venture - Beijing Cornerstone Yuanjing Digital Technology (北京基石遠景數字科技有限公司) together with Beijing ASU Tech Co., Ltd. (北京一數科技有限公司) ("Beijing ASU Tech") (51% stake holds by the Group and 49% by Beijing ASU Tech) to focus on applying virtual laser display and virtual touch in rail transit. The two technologies are crucial part in intelligent rail transit development which can integrate into the Group's PIS, platform screen door and other systems to create synergies and other advanced intelligent functions and services to passengers.

Remarkable results in market expansion outside Beijing

The Group, which has rich experience in the research and development, integration and implementation of ACC/AFC and PIS projects, has successfully promoted its "Beijing products+Beijing model" to other cities. The number of new bid-winning projects and new contracts secured outside Beijing reached 63 in the Period, among which key projects are obtained in Zhengzhou, Foshan, Taiyuan and Hong Kong. The Group actively developed new ground public address system on the basis of on-board and ground PIS, adding a new growth engine in its rail transit business. As of 30 June 2020, the number of vehicles the Group has served with on-board PIS service jumped 14% to 27,383. Such service has been applied in 22,133 km of high-speed rail lines, 2,370 km of intercity railway lines and 1,821 km of 59 urban rail transit lines in 29 cities.

– Signed contracts on iconic projects in Zhengzhou, such as the phase 1 big data cloud platform project, the AFC project of Zhengzhou Metro Line 4 and the PIS project of Zhengzhou Metro Line 4, in the first half of 2020 following the ANCC project in 2019. The contracts were valued at approximately RMB131.91 million;

– Signed a contract which worths approximately RMB31.50 million on the integrated procurement project of Foshan's ACC system;

– Signed a contract worth approximately RMB22.44 million on Taiyuan Metro Line 2's ACC project. It is the first time for the Group to participate in a key rail transit project in Taiyuan which the Group considered a challenge and an opportunity;

– Won the bidding of the on-board PIS project of Shaoxing Metro Line 1 for approximately RMB25.84 million. It is the first project partnership between the Group and Beijing Subway Rolling Stock Equipment Co., Ltd. (北京地鐵車輛裝備集團有限公司). Shaoxing Metro Line 1 is the first metro line the Group serves in the prefecture-level city;

– Signed an approximately RMB62.41 million worth of contract on the PIS of Mumbai Metro Line 2 and 7. It is the first time that the Group worked together with an international train supplier;

– Won the bidding of the PIS of Guangzhou Metro Line 7 for approximately RMB5.11 million;

– Signed the PIS contract for 8 lines of Guangzhou Metro, with an amount of approximately RMB106.34 million;

– Won the bidding of 11 PIS projects worth approximately RMB72.56 million in Qingdao, including BTS CRH trains and CRH trains with a speed of 350 km/h;

– Awarded approximately RMB45.58 million worth of contracts on PIS projects of Hangzhou Metro Line 6's and 4's phase 2 projects during the period;

– In Hong Kong, the Group signed contracts and won bids on of 20 projects from MTR Corporation Limited, New World First Bus Services Limited, Citybus Limited and Kwoon Chung Bus Holdings Limited, in the period. The projects were valued at approximately HK$19.66 million.

Moreover, with the development of intelligent urban rail transit, the Group is active in participating in the informatisation of intelligent urban rail transit in Beijing, Guangzhou, Changsha, Suzhou, etc. and the establishment of intelligent and information-based transportation platforms. It provides intelligent operation and maintenance for information-based systems during their full life circle and improves the efficiency to contribute to the "Made in China" upgrading.

Breakthroughs in overseas markets

The Group is gradually increasing its footprints in international markets while solidifying businesses in China. In spite of the difficulties caused by the pandemic, the Group has won the bidding of/signed a hinged train project in Mexico City, a SkyRail project in Salvador, Brazil and a PIS project of Mumbai Metro Line 2&7 in India for approximately RMB72.14 million in the first half of this year riding on its competitive edge in technologies and project management.

Infrastructure Information Business

The Group's infrastructure information business mainly comprises civil communications and utility tunnel. It has also been exploring different so-called smart city scenarios for applying its intelligent solutions. This new stream of business is collectively called "intelligent +". The Group achieved segment revenue of approximately HK$69.9 million in the period, representing a year-on-year increase of 3.4%. It steadily pushed ahead with the infrastructure information business and made new attempts in business development in the first half of 2020.

Refinement and innovation and expansion of value-added services in civil communications

As an investor and operator in civil communications in Beijing's rail transit network, the Group has invested in the civil communication transit system of the northern extension of Fangshan Line in the first half of 2020, which is under construction and expected to be launched at the end of this year.

The Group has forged good partnerships with Beijing Mobile, Beijing Unicom, and Beijing Telecom, three major telecom operators. It reached an intention of cooperation on 2G/4G service in the western extension and phase 2 project of Subway Line 6, phase 3 project of Subway Line 8, Subway Lines 7 and 15 during the period. It signed a five-year agreement worth approximately RMB27.31 million on 3G service covering 130 train stations with Beijing Unicom in March.

The Group is prepared to diversify its civil communications transmission service of Beijing's subway lines. A fully-connected fibre optic transmission network has been laid through Beijing subway lines which is set to enter the rental market of fibre optic transmission system. The five civil communications projects it newly signed during the period were valued at approximately RMB80.03 million.

The utility tunnel business was gradually optimised and new sales growth points were cultivated

Intelligent utility tunnel is an integral part of smart city nowadays. Intelligent utility tunnel makes use of Internet of Things, big data, cloud computing and artificial intelligence in its management and operation, thus allow users to detect problem, reach out to manage and make timely decision in high efficiency.

The Group launched its self-developed products, including an intelligent operation, maintenance and management platform for utility tunnels, rich communication suite and local control unit (LCU), with which it improved the intelligent management and operation and maintenance. Efforts were made to promote the popularisation of self-developed products. The utility tunnel projects of Winter Olympics, Beijing New Airport, the eastern extension of Beijing Subway Line 7 and Future Science City have made steady progress during the period.

The Group newly signed 11 deals on utility tunnel projects, mainly including those of Beijing New Airport and the eastern extension of Beijing Subway Line 7 and upgrading on the intelligent utility tunnel operation and maintenance project of Future Science City during the period. The total value is approximately RMB11.91 million. The internal statistics showed that its utility tunnel business had a market share of approximately 65% in Beijing city.

Advancement in "intelligent +" application scenarios

The Group developed and launched various intelligent+ products, including intelligent building site, intelligent TOD (transit oriented development), etc., with the use of AI, big data, cloud computing as well as own investment in exploring application in different scenarios. In the first half of 2020, the Group explored in the Intelligent+ field and started to acquire orders.

To make a building site intelligent via informatisation, a project is accurately designed and construction simulation is conducted on a 3D design platform. An informatisation ecosystem characterised by interconnected collaboration, intelligent production and scientific management is created based on construction management. Data is analysed for the Group to predict trends and introduces experts' plan. This will enable visual intelligent management of project construction. Thanks to its competitive technologies, the Group was responsible for constructing intelligent building sites for one section of Beijing Subway Line 11. It was awarded contracts worth approximately RMB2.16 million on intelligent building sites for two segments of Subway Line 11's Winter Olympics branch line in the first half of 2020. This means that its "intelligent building site management system" has been put into use, which becomes its new profit engine.

New attempts were made in intelligent TOD. The Group compiled a visitor recognition and management and navigation scheme (topic) for communities, and an integrated efficient security check and passenger arrival solution (topic). It teamed up with BII to work out an implementation scheme and study the feasibility, making preparations for business advances and project implementation. Meanwhile, the Group facilitates the building of an information-based TOD production safety platform, providing production safety management for the transformation of the comprehensive transportation hub of Beijing Sub-center railway station into a world-class transportation hub.

The "Intelligent+" successfully acquired 7 projects with a total contract sum of RMB8.23 million in the first half of 2020.

R&D AND INNOVATION

Building core competitiveness through increase in R&D investment

The Research and development expenses of the Group amounted to approximately HK$56.4 million in the period, representing a year-on-year rise of approximately 25.9% and accounting for 10.6% of its first-half revenue. Investment was made in software, systems and product standardisation related with its existing business lines, such as AFC/ACC/TCC/PIS, R&D of utility tunnels, rich communication suite and other technologies, as well as early-stage R&D in the "intelligent +" field.

Intelligent rail technology upgrades

The Group, which concentrates on technology R&D, sorted out passenger information service-related needs and integrated resources in the industrial chain to set up a "demonstration system of intelligent passenger information service" containing an intelligent automatic passenger clearance system, a passenger counter and train compartment density analysis system and a machine learning-based passenger flow prediction system, which covers intelligent mobility services for passengers. This will lay a foundation for future implementation. In the meantime, the Group designed a big data platform for Nanjing Metro Network Command Centre in the first half of 2020. It is China's first semantic recognition-based data analysis platform in the rail transit sector, which marks the concretisation of its popular data analysis idea. It lays a solid foundation for the utilisation of big data in Nanjing's rail transit. The "Development and Application of Coordination and Command Platform for Smart Urban Rail Transit Networks" that the Group and its partners submitted for the project was awarded the second prize of the Urban Rail Transit Science and Technology Progress Award by China Association of Metros (中國城市軌道交通協會). Furthermore, the Group's self-developed on-board rich communication suite platform tackled the problem of in-depth integration of on-board communications system. The platform will be applied in the PIS of intelligent Beijing Subway Line 11.

Smart city technologies

The Group has created an intelligent management platform for utility tunnel V2.0 from using in a confined area to region-level and city-level. Its "intelligent building site management system" that combines with IoT, intelligent terminal, cloud platform, big data and other cutting-edge technologies is designed for personnel and material positioning, video surveillance, personnel communication, etc.. The system has been successfully applied in Beijing Subway Line 11.

Innovative solution to combat against pandemic

In the first six months of 2020, the Group leveraged on its R&D advantage to introduce an "intelligent community entrance-exit safety management system" that enables non-contact temperature check, facial recognition, infrared detection, automatic alarm and so forth to contribute to the fight against the COVID-19 pandemic. The system can effectively improve quarantine efficiency and people's safety for communities. It has come into use in communities in Maizidian, Beijing. In addition, it has also launched a "statistical reporting system targeting the COVID-19 pandemic" that can be linked to the government's big data to trace the infected people, which quickly formed a joint control and prevention to effectively improve its efficiency.

Strengthening soft power with intellectual property

The Group obtained five patent certificates (80 in total) and 17 software copyright certificates (308 in total) in the first half of 2020, which further increases the quantity of related certificates and the quality of patents and enhances its soft power.

FINANCIAL REVIEW

Overview

The Group recorded revenue of approximately HK$530.1 million and gross profit of approximately HK$222.6 million during the six months ended 30 June 2020, representing a year-on-year increase of approximately 6.9% and 24.8% respectively. Its selling, general and administrative expenses were approximately HK$98.1 million, representing a year-on-year decline of approximately 3.0%. The net cash outflow from operating activities went down 90.8% year on year to approximately HK$12.8 million. As at 30 June 2020, the Group's gearing ratio was approximately 43.7%.

Analysis of Changes in Major Items in Profit Statement

	Six months ended 30 June		
	2020	2019	Increase (Decrease)
	HK$'000	HK$'000	(%)
Revenue	**530,063**	495,953	6.9%
Cost of sales	**307,440**	317,574	(3.2%)
Gross profit	**222,620**	178,379	24.8%
Selling, general and administrative expenses	**98,138**	101,092	(2.9%)
Research and development expenses	**56,405**	44,796	25.9%
Investment (loss)/gains	**(28,308)**	3,900	(825.8%)
Profit attributable to equity shareholders of the Company	**32,741**	59,471	(44.9%)

Revenue

The Group's revenue mainly comes from intelligent rail transit and infrastructure information businesses. Revenue from intelligent rail transit and infrastructure information in the first half of this year was approximately RMB460.2 million and RMB69.9 million respectively.

Revenue derived from the intelligent rail transit business was approximately HK$460.2 million in the first half of this year, representing a year-on-year increase of approximately HK$31.8 million or 7.4%. The increase in revenue of this segment was mainly due to the fact that: (1) Its revenue increased because the revenue of Huaqi Intelligent in January and February and that of Litmus Technologies (Beijing) Co., Ltd.* (北京樂碼仕智能科技有限公司) ("Litmus") were excluded from the comparative data in the same period last year since they were acquired in March and December 2019, respectively; and (2) except for Huaqi Intelligent and Litmus, the revenue was recognised in this period for projects that had great effect on revenue, such as the Kunming Metro Line 4's AFC project, Hebei Jingche Rail Transit Vehicle Equipment's weak current project and ERP project, and Beijing New Airport's senseless payment project.

Revenue derived from the infrastructure information business amounted to approximately HK$69.9 million, representing a year-on-year increase of approximately HK$2.3 million or 3.4%. The increase in revenue of this segment was mainly due to the sustainable development of the civil communication transmission business.

In terms of revenue by region, the Group's first-half operating revenue mainly came from mainland China and Hong Kong. Its first-half operating revenue in mainland China stood at approximately HK$508.9 million, up approximately HK$45.6 million from that recorded for the six months ended 30 June 2019. The Group saw a significant growth in revenue in mainland China because it stepped up presence in existing markets while opening up new markets. Meanwhile, its first-half revenue in Hong Kong fell approximately HK$11.5 million or 35.3% year on year to approximately HK$21.2 million due to the pandemic.

Cost of sales and gross profit

The Group's cost of sales stood at approximately HK$307.4 million during the Period, a year-on-year decrease of approximately HK$10.2 million or 3.2%. It recorded gross profit of approximately HK$222.6 million, up approximately HK$44.2 million or 24.8% year on year. The decline in cost of sales and the rise in gross profit are attributed to an increase in the proportion of software used in the intelligent rail transit business and to its efforts to dig deep in infrastructure information service.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses incurred during the Period were approximately HK$98.1 million, representing a year-on-year drop of approximately HK$3.0 million or 3.0%. The reason is that the Group strengthened cost management and took measures to reduce cost and improve efficiency. Besides, as online and remote working model was adopted due to the COVID-19 pandemic, expenses for business trips dropped.

Research and development expenses

The Group's research and development expenses incurred during the Period was approximately HK$56.4 million, representing a year-on-year increase of approximately HK$11.6 million or 25.9%. The growth is due to its continuous investments in R&D and innovation, which ensures the improvement in its R&D strength and scientific innovation ability.

Investment loss/income

The Group incurred an investment loss of approximately HK$28.3 million during the Period, versus an investment income of approximately HK$3.9 million in the same period of 2019. The investment loss was mainly caused by a dramatic drop in fare revenue of its joint venture Beijing Metro amid the COVID-19 outbreak. Beijing Metro recorded a loss of approximately HK$24.6 million, a year-on-year decrease of approximately HK$30.1 million. Therefore, a negative return occurred.

Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company was approximately HK$32.7 million in the period, a year-on-year decrease of approximately HK$26.8 million or 45.0%.

Liquidity, financial and capital resources

Capital structure

As of 30 June 2020, the Company issued a total of 2,100,126,727 shares, with HK$0.01 per ordinary share (as of 31 December 2019: 2,100,126,727 shares issued, with HK$0.01 per ordinary share).

Cash position

As of 30 June 2020, the Group's cash and bank balances were approximately HK$747.9 million (31 December 2019: approximately HK$850.9 million).

Bank borrowings and charges on the Group's assets

As of 30 June 2020, the Group's borrowing was approximately HK$574.7 million, of which HK$500 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司) ("BII"), and the remaining was bank borrowings amounted to approximately HK$74.7 million (31 December 2019: approximately HK$559.9 million). The Group had no charges on its assets as of 30 June 2020 (31 December 2019: Nil).

Working capital and gearing ratio

As of 30 June 2020, the Group had current assets of approximately HK$2,489.4 million (31 December 2019: approximately HK$2,505.4 million), while its current liabilities were approximately HK$1,046.9 million (31 December 2019: approximately HK$986.9 million), resulting in net current assets of approximately HK$1,442.5 million (31 December 2019: approximately HK$1,518.5 million). As of 30 June 2020, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.4 (31 December 2019: approximately 2.5).

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 of 30 June 2020, the Group's gearing ratio was 43.7% (31 December 2019: approximately 43.7%).

Cash flow

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Net cash used in operating activities	**(12,762)**	(138,047)
Net cash used in investing activities	**(78,783)**	(189,277)
Net cash used in financing activities	**(4,777)**	(457,014)
Net decrease in cash and cash equivalents	**(96,322)**	(784,338)

The Group's net cash outflow from operating activities stood at approximately HK$12.8 million during the Period, a year-on-year decline of approximately HK$125.2 million or 90.8% from HK$1.38 million recorded in the same period of 2019. The net cash flow from operating activities improved as the Group tightened payment collection management, prioritised payments and formulated a reasonable plan for cash flow from operating activities. Cash used in investing activities was approximately HK$78.8 million, which was mainly the third consideration of approximately HK$71.9 million paid to NetPosa Technologies Limited (東方網力科技股份有限公司) for the acquisition of Huaqi Intelligent. Cash used in financing activities was approximately HK$4.8 million, which was mainly Huaqi Intelligent's net borrowing of approximately HK$15.4 million from banks. It paid an interest of approximately HK$13.0 million on the money borrowed from BII.

Contingent liabilities

As of 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

Interim dividend

The Board proposed no interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil) The Group will retain cash to fund its business development and grasp future investment opportunities.

Employees and remuneration policies

As of 30 June 2020, the Group employed a total of 903 employees (30 June 2019: 751). The total staff costs (including directors' remuneration) were approximately HK$129.3 million as of 30 June 2020.

The Group reviews its remuneration package annually with reference to the prevailing market conditions and staff's working performance, and adjusts employees' wages according to their qualification and rank. In addition to basic remuneration, the Group also pays bonus based on its performance and staff's contribution to the Group. Other benefits include share options, contribution to social insurance scheme, supplementary medical insurance and provident fund in mainland China, contribution to the Mandatory Provident Fund scheme and insurances in Hong Kong. The Group also organises professional and vocational trainings for its employees.

INVESTMENT PROJECTS MADE DURING H1 2020

BII Zhongfu Technology Company Limited* (京投眾甫科技有限公司) ("BII Zhongfu"), the Group's wholly-owned subsidiary, and Beijing ASU Tech established Beijing Cornerstone Yuanjing Digital Technology Co., Ltd. (北京基石遠景數字科技有限公司) on 12 May 2020, with the registered capital of RMB10 million. BII Zhongfu owns a 51% stake while Beijing ASU Tech has a 49% stake.

The Group's subsidiary, Huaqi Intelligent, set up Tianjin Wuyang Zhitong Intelligent Technology Co., Ltd. (天津五洋智通智慧科技有限公司) with Tianjin Tengqi Corporate Management Partnership (Limited Partnership) (天津騰啟企業管理合夥企業(有限合夥)) on 20 May 2020. The new company has a registered capital of RMB10 million and its equity interest is held by Huaqi Intelligent as to 49%.

BII Zhongfu completed a capital injection of RMB30 million into the Company's indirectly wholly-owned subsidiary, BII Transportation Technology (Beijing) Co., Ltd.* (北京京投億雅捷交通科技有限公司) ("BII ERG") in cash in June 2020, increasing the registered capital of BII ERG to RMB130 million.

As at 30 June 2020, the Group held a wealth management product of approximately HK$170.8 million, for which the financial institution as the issuer offered capital protection with variable return.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Company and Beijing Subway Operation Co., Ltd.* (北京市地鐵運營有限公司) as to 49% and 51%, respectively. Its registered capital was RMB500 million. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the operating income rights of Beijing Subway Airport Express and other lines, and the Dongzhimen Terminal.

Beijing Metro is a private company whose quoted market price is not available. As of 30 June 2020, the carrying amount of Beijing Metro in the Group's consolidated financial statements calculated by equity method is approximately HK$301.1 million, accounting for approximately 7.6% of the Group's total assets as of 30 June 2020. The Group's share of loss from Beijing Metro was approximately HK$24.6 million in the first half of 2020, mainly attributable to the diversion by the new Daxing Airport Express and the pandemic, the significant drop of passenger flow of Beijing Metro during the first half of 2020, the rises of labour costs and repair and maintenance costs year by year, ineffective cost sharing for the single line operation. The Company did not receive any realised or unrealised gain or loss or any dividends from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funds and operation needs of Beijing Metro.

Save as disclosed, there were no other significant investments, material acquisitions or disposals of subsidiaries and associates, and other plans for material investments or capital assets for the six months ended 30 June 2020.

RISK ANALYSIS

The Group's financial position, operating results and prospects are likely to be affected by various risks, including risks from the market, investments and exchange rates.

MARKET RISKS

Due to the complicated and changing economic situation at home and abroad, the market of rail transit industry in which the Group is located was greatly influenced by domestic and foreign policies. As China has opened the domestic rail transit equipment market and the construction and management rights of railways to social capital, social capital has successively forayed into the rail transit sector, which intensifies the competition. With rising international trade protectionism and increasingly fierce industry competition, uncertain and uncontrollable factors in international markets have increased. Factors like International trade friction and regional instability are likely to increase the difficulty for the Group to obtain orders, and thus costs will go up. It will face more challenges in the implementation of "internationalisation" strategy. Meanwhile, the pandemic will continue for some time to come, which may hit the Group's production and operation, the supply of spare parts and raw materials, and the product delivery. Therefore, the Group will continue to pay attention to the information of the national economy and politics, industry development, etc., in order to make correct judgments and carefully assess the political situation in a country or region where it plans to operate businesses and lean towards the countries along the "belt and road" with stable political situation and good business environment to manage the risk.

The value structure of the rail transit industry chain changed with the integration and development of 5G, AI, big data and other new technologies. Clients' needs began to cover the full life cycle. Given all these, it is more urgent to develop intelligent rail transit business. So the Group will increase efforts to study industrial policies, development directions and industrial development laws to address the risks. It will improve its core technologies and develop new technologies and new products to enhance core competitiveness. Moreover, the Group will also integrate various advantageous resources, work together with its partners to build an industrial ecosystem, and improve the ability to resist risks arising from market fluctuations.

INVESTMENT RISKS

The Group is faced with risks from unsatisfactory performance of its investees and from failure to effectively integrate to produce synergistic effects. To address the risks, the Group should have a deep understanding of investees' operation and management. Besides risk control, more efforts need to be taken to ensure correct judgments on the market and work out feasible countermeasures and protection mechanisms against possible risks in advance.

FOREIGN EXCHANGE EXPOSURE

The Group has seven major subsidiaries, with one established in Hong Kong and the remaining six registered in mainland China. As all of these subsidiaries earn revenue and incur cost in their local currencies, exchange rate risks from transactions have minimal effect on the Group.

As of 30 June 2020, its funds were mainly denominated in Renminbi, Hong Kong dollar, US dollar and euro. (1) Since the Hong Kong dollar is still pegged to the US dollar within the established range, the Group is not exposed to significant foreign exchange risks from the exchange of Hong Kong dollar to US dollar. (2) The Group signed forex forward settlement agreements with banks to hedge forex risks from exchange to euro. It will pay close attention to forex risks.

PROSPECTS

2020 is a year with dramatic changes. The Group, as a player in the rail transit sector, faces heavier anti-epidemic pressure and shoulders social responsibilities, is trying to get an insight over the pandemic's impacts on the informatisation of the rail transit industry and making changes and adjustments.

The Group will remain focused on the intelligent rail transit and infrastructure information businesses. Efforts will be made to perfect the strategic investment platform centring on industrial upgrading and market value appreciation and to build a big data centre with core technological competitiveness. It will continue improving its main businesses' competitive advantage in technology and seeking rapid development driven by "investment + innovation".

With priorities given to delivery of ongoing projects and market expansion, the Group will seize the burgeoning opportunity arising from digitisation and intelligentisation of rail transit in China to concentrate on the intelligent subway business, promote innovation of intelligent subway products, strengthen the innovation in the fields of 5G, big data, cloud computing, AI and IoT, and step up efforts on productisation. It will participate in the establishment of an intelligent rail transit platform in Beijing, assist in the building of a technology centre and provide full-cycle application analysis and operation and maintenance service, with a view to improving its technical strength and further expanding its businesses nationwide.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	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	0.04%
				11.69%
Ms. Xuan Jing	The Company	Beneficial owner	4,032,000	0.19%

Notes:

1. These shares are held by More Legend Limited ("More Legend"), and More Legend is wholly owned by Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 244,657,815 shares of the Company which More Legend owns. Mr. Cao is the sole director of More Legend.

Save as disclosed above, as at 30 June 2020, 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 2020, 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	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	11.69%
Beijing Infrastructure Investment (Hong Kong) Limited* (京投（香港）有限公司) ("BII HK")	Beneficial owner (Note 3)	1,157,634,900	55.12%
BII	Interest of controlled corporation (Note 3)	1,157,634,900	55.12%
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%
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 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 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 2020, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for securities transactions regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the Model Code set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 2020. 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 2020, 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 of the Company was approved for adoption pursuant to a written resolution passed by all of the shareholders of the Company 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. It would remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Company.

As of 5 December 2019, the share options granted by the Company had all lapsed. During the six months ended 30 June 2020, no share options were granted by the Company and there were no outstanding share options under the Share Option Scheme.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

1. Mr. Cao Wei, executive Director, resigned as a member of the Remuneration Committee with effect from 30 March 2020.

2. Ms. Xuan Jing, executive Director, resigned as the chairman of the Group's subsidiary BII Transit Systems (Beijing) Co., Ltd.* （億雅捷交通系統（北京）有限公司）（"ERG (BJ)"） with effect from 13 January 2020 and resigned as the director of ERG (BJ) with effect from 9 March 2020.

3. Mr. Guan Jifa, non-executive Director, was appointed as a member of the Remuneration Committee with effect from 30 March 2020.

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 were adopted in compliance with code provisions 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 (i) make recommendations to the Board on the scope of audit and appointment, re-appointment and removal of external auditor; (ii) review the financial statements and material advice in respect of financial reporting; (iii) oversee internal control and risk management systems of the Company; and (iv) review the effectiveness of the internal audit function and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As at 30 June 2020, 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.

In addition, the Audit Committee has also reviewed the interim financial report of the Group for the six months ended 30 June 2020 and had discussed with the management of the Company and KPMG, including the review of the accounting principles and practices adopted by the Group, and is of the opinion that such financial 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 2020.

EVENT DURING THE PERIOD FROM 30 JUNE 2020

As approved at the 2020 annual general meeting and considered and approved at a subsequent Board meeting, the Company cumulatively repurchased a total of 2.98 million shares of the Company during the period from 16 July to 24 July 2020.

Interim Review Report

Review report to the Board of Directors of
BII Railway Transportation Technology Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 25 to 54 which comprises the consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited as of 30 June 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and related 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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 August 2020

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars ("HK$"))

	Note	Six months ended 30 June	
		2020	2019
		HK$'000	HK$'000
Revenue	4	**530,060**	495,953
Cost of sales		**(307,440)**	(317,574)
Gross profit		**222,620**	178,379
Other income		**21,847**	51,237
Selling, general and administrative expenses		**(98,138)**	(101,092)
Research expenses		**(56,405)**	(44,796)
Profit from operations		**89,924**	83,728
Finance costs	5(a)	**(14,537)**	(13,413)
Share of results of joint ventures and associates	11	**(28,308)**	3,900
Fair value change in contingent considerations	5(b)	**(4,734)**	(2,400)
Profit before taxation	5	**42,345**	71,815
Income tax	6	**(7,485)**	(9,751)
Profit for the period		**34,860**	62,064
Attributable to:			
Equity shareholders of the Company		**32,741**	59,471
Non-controlling interests		**2,119**	2,593
Profit for the period		**34,860**	62,064
Earnings per share			
– Basic and diluted (HK$)	7	**0.0156**	0.0283

The notes on pages 32 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 21(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – unaudited (Expressed in HK$)

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Profit for the period	**34,860**	62,064
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	**(35,954)**	(19,536)
Total comprehensive income for the period	**(1,094)**	42,528
Attributable to:		
Equity shareholders of the Company	**(3,014)**	35,571
Non-controlling interests	**1,920**	6,957
Total comprehensive income for the period	**(1,094)**	42,528

The notes on pages 32 to 54 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2020 – unaudited (Expressed in HK$)

	Note	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment	8	**168,215**	175,604
Intangible assets	9	**219,899**	228,771
Goodwill	10	**610,257**	622,239
Interests in joint ventures and associates	11	**432,817**	462,687
Income tax recoverable		**–**	3,934
Contingent considerations		**163**	181
Deferred tax assets	20	**36,711**	35,055
		1,468,062	1,528,471
Current assets			
Other financial assets	12	**170,790**	169,680
Inventories and other contract costs	13	**489,357**	502,489
Contingent considerations		**17**	–
Contract assets	14(a)	**433,280**	424,721
Trade and other receivables	15	**648,034**	557,594
Cash on hand and in bank	16	**747,890**	850,891
		2,489,368	2,505,375
Current liabilities			
Trade and other payables	17	**775,869**	784,340
Contract liabilities	14(b)	**78,973**	31,568
Bank and other borrowings	18	**74,674**	59,876
Lease liabilities		**4,995**	5,634
Current taxation		**14,798**	23,501
Contingent considerations		**90,174**	73,309
Provision for warranties		**7,465**	8,628
		1,046,948	986,856
Net current assets		**1,442,420**	1,518,519
Total assets less current liabilities		**2,910,482**	3,046,990

Consolidated Statement of Financial Position (continued)

At 30 June 2020 – unaudited (Expressed in HK$)

	Note	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Non-current liabilities			
Bank and other borrowings	18	**500,000**	500,000
Lease liabilities		**10,894**	11,537
Contingent considerations		**117,345**	207,076
Deferred tax liabilities	20	**50,020**	52,497
Deferred income		**1,275**	1,077
Provision for warranties		**1,745**	2,263
		681,279	774,450
NET ASSETS		**2,229,203**	2,272,540
CAPITAL AND RESERVES			
Share capital		**21,001**	21,001
Reserves		**2,123,543**	2,168,215
Total equity attributable to equity shareholders of the Company		**2,144,544**	2,189,216
Non-controlling interests		**84,659**	83,324
TOTAL EQUITY		**2,229,203**	2,272,540

The notes on pages 32 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – 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 2020	21,001	1,813,243	28,152	53,362	(117,180)	390,638	2,189,216	83,324	2,272,540
Profit for the period	–	–	–	–	–	32,741	32,741	2,119	34,860
Other comprehensive income	–	–	–	–	(35,755)	–	(35,755)	(199)	(35,954)
Total comprehensive income	–	–	–	–	(35,755)	32,741	(3,014)	1,920	(1,094)
Dividends approved in respect of the previous year (Note 21(b))	–	(42,002)	–	–	–	–	(42,002)	–	(42,002)
Change in capital reserve of an associate	–	–	344	–	–	–	344	–	344
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	(585)	(585)
Appropriation to reserves	–	–	–	2,048	–	(2,048)	–	–	–
	–	(42,002)	344	2,048	–	(2,048)	(41,658)	(585)	(42,243)
Balance at 30 June 2020	21,001	1,771,241	28,496	55,410	(152,935)	421,331	2,144,544	84,659	2,229,203

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2020 – 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 2019	21,001	1,834,244	30,760	29,553	(64,325)	317,577	2,168,810	28,842	2,197,652
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 approved in respect of the previous year (Note 21(b))	–	(21,001)	–	–	–	–	(21,001)	–	(21,001)
Acquisition of non-controlling interests	–	–	(473)	–	–	–	(473)	(21,251)	(21,724)
Business combinations	–	–	–	–	–	–	–	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 32 to 54 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited (Expressed in HK$)

	Note	Six months ended 30 June 2020 HK$'000	Six months ended 30 June 2019 HK$'000
Operating activities			
Cash used in operations		**(943)**	(130,539)
Interest income received		**8,146**	13,601
Income tax paid		**(19,965)**	(21,109)
Net cash used in operating activities		**(12,762)**	(138,047)
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(3,222)**	(9,188)
Proceeds from disposal of property, plant and equipment		**368**	5
Dividends received		**423**	3,093
Net payments for debt investments		**(4,410)**	(70,056)
Payment for contingent considerations		**(71,942)**	–
Net payment for business combination		**–**	(803,788)
Payment for acquisition of non-controlling interests of a subsidiary		**–**	(21,724)
Repayment of acquisition earnest deposit		**–**	482,790
Capital contribution to associates		**–**	(8,685)
Interest income received due from acquisition earnest deposit		**–**	14,870
Repayment of cash advances due from NetPosa Technologies Limited		**–**	223,406
Net cash used in investing activities		**(78,783)**	(189,277)
Financing activities			
Proceeds from bank loans		**22,050**	6,813
Repayment of bank loans		**(6,616)**	(97,060)
Repayment of loans from a related party		**–**	(346,500)
Capital element of lease rentals paid		**(5,089)**	(5,363)
Interest element of lease rentals paid		**(423)**	(184)
Interest paid		**(14,114)**	(14,720)
Dividends to non-controlling interests of a subsidiary		**(585)**	–
Net cash used in financing activities		**(4,777)**	(457,014)
Net decrease in cash and cash equivalents		**(96,322)**	(784,338)
Cash and cash equivalents at the beginning of the period	16	**821,569**	1,053,269
Effect of foreign exchange rate changes		**(4,924)**	(796)
Cash and cash equivalents at the end of the period	16	**720,323**	268,135

The notes on pages 32 to 54 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares were transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The interim financial report of the Company as at and for the six months ended 30 June 2020 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, as well as design, implement and sale of related software, hardware and spare part in utility tunnel areas, and the investment in the railway transportation areas through investing in equity.

2 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 ("IASB"). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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 2019 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.

The financial information relating to the financial year ended 31 December 2019 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 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2020.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

– Amendments to IFRS 3, *Definition of a Business*

– Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these 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.

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	
	2020	2019
	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	**460,181**	428,368
– Revenue from infrastructure information services	**69,879**	67,585
	530,060	495,953
Disaggregated by geographical location of customers		
– Mainland China	**508,919**	463,287
– Hong Kong	**21,141**	32,666
	530,060	495,953

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

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

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

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

(I) SEGMENT RESULTS

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2020 and 2019. The Group's other income and expense items, such as other income, selling, general and administrative expenses, research expenses, finance costs and fair value change in contingent considerations and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, no such information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS (CONTINUED)

	Six months ended 30 June 2020			
	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	**392,776**	**10,035**	**–**	**402,811**
Over time	**67,405**	**59,844**	**–**	**127,249**
Revenue from external customers and reportable segment revenue	**460,181**	**69,879**	**–**	**530,060**
Reportable segment gross profit	**193,186**	**29,434**	**–**	**222,620**
Share of results of joint ventures and associates	**–**	**–**	**(28,308)**	**(28,308)**

	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	357,329	9,159	–	366,488
Over time	71,039	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 results of joint ventures and associates	–	–	3,900	3,900

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(II) RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Reportable segment gross profit	**222,620**	178,379
Share of results of joint ventures and associates	**(28,308)**	3,900
Other income	**21,847**	51,237
Selling, general and administrative expenses	**(98,138)**	(101,092)
Research expenses	**(56,405)**	(44,796)
Finance costs	**(14,537)**	(13,413)
Fair value change in contingent considerations	**(4,734)**	(2,400)
Profit before taxation	**42,345**	71,815

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Interests on bank loans	**1,072**	1,679
Interests on loans from a related party	**13,042**	11,550
Interest on lease liabilities	**423**	184
	14,537	13,413

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Depreciation charge		
– owned property, plant and equipment	**15,548**	13,139
– right-of-use assets	**3,491**	1,927
Amortisation of intangible assets	**8,280**	11,868
Interest income	**(8,092)**	(24,302)
Investment income	**(2,474)**	(729)
Government grants	**(13,790)**	(11,943)
Impairment/(reversal) of trade and other receivables and contract assets	**7,133**	(596)
Fair value change in contingent considerations, net	**4,734**	2,400
Exchange loss/(gain)	**2,430**	(14,085)
Net loss/(gain) on disposal of property, plant and equipment (Note 8)	**86**	(67)
Inventory write-down	**1,200**	9,975

6 INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Current taxation:		
– Hong Kong Profits Tax (Note (i))	**1,597**	995
– PRC Corporate Income Tax (Notes (iv), (v), (vi) & (vii))	**9,659**	16,388
	11,256	17,383
Deferred taxation (Note 20):		
– Origination and reversal of temporary differences	**(3,771)**	(7,632)
	7,485	9,751

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 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profit Tax rate regime (six months ended 30 June 2019: 16.5%).

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis for the six months ended 30 June 2019.

(ii) One subsidiary of the Group incorporated in India is subject to income tax rate of 26% included surcharge and health and education cess for the six months ended 30 June 2020 pursuant to the rules and regulations of India (six months ended 30 June 2019: not applicable).

6 INCOME TAX (CONTINUED)

Notes: (continued)

(iii) The Company and the subsidiaries of the Group incorporated in countries other than either the PRC (including Hong Kong) or India are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iv) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

(v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% (six months ended 30 June 2019: 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 by these subsidiaries (six months ended 30 June 2019: 75%).

(vi) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction. As a result, a subsidiary enjoyed exemption from PRC Corporate Income and another subsidiary enjoyed 50% PRC Corporate Income Tax reduction for the six months ended 30 June 2020 (six months ended 30 June 2019: two subsidiaries enjoyed exemption from PRC Corporate Income Tax).

(vii) During the six months ended 30 June 2020, a subsidiary of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for the subsidiary, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 5%; the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 10%.

7 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit attributable to ordinary equity shareholders of the Company of HK$32,741,000 (six months ended 30 June 2019: HK$59,471,000) and the weighted average of 2,100,127,000 ordinary shares (31 December 2019: 2,100,127,000 ordinary shares) in issue during the interim period.

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2020 and 2019. Therefore, there was no difference between basic and diluted earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into certain lease agreements for use of buildings, and therefore recognised the additions to right-of-use assets of HK$4,868,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of HK$10,471,000 (six months ended 30 June 2019: HK$37,889,000).

Property, plant and equipment with a carrying amount of HK$454,000 was disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: HK$72,000, resulting in a net loss of HK$86,000 (six months ended 30 June 2019: net gain of HK$67,000).

9 INTANGIBLE ASSETS

Intangible assets of the Group at 30 June 2020 mainly comprised self-developed software, income rights acquired, trademark and patent rights with an aggregate carrying amount of HK$219,899,000 (31 December 2019: HK$228,771,000).

10 GOODWILL

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

	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Operations in the provision of application solutions related services (Note (i))	**600,441**	612,230
Operations related to the civil communication transmission systems business (Note (ii))	**9,816**	10,009
	610,257	622,239

Notes:

(i) Goodwill was mainly 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 2020 HK$'000	At 31 December 2019 HK$'000
Unlisted equity investments at cost	**406,270**	407,773
Share of results, net of dividends	**24,969**	53,700
Exchange adjustments	**1,578**	1,214
	432,817	462,687

For the six months ended 30 June 2020, the Group's share of results of joint ventures and associates was a loss of HK$28,308,000, inducing loss of HK$24,603,000 from the Group's joint venture Beijing Metro Co., Ltd.. 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	
	2020	2019
	HK$'000	HK$'000
Carrying amount of inventories sold	**200,903**	203,341
Write-down of inventories	**1,200**	9,975
	202,103	213,316

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At	At
	30 June	31 December
	2020	2019
	HK$'000	HK$'000
Contract assets		
Arising from performance under contracts with customers	**466,056**	451,566
Less: loss allowance	**(32,776)**	(26,845)
	433,280	424,721

(b) Contract liabilities

	At	At
	30 June	31 December
	2019	2019
	HK$'000	HK$'000
Contract liabilities		
Service contracts		
– Billings in advance of performance	**78,973**	31,568

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Trade receivables due from (Note 15(a)):		
– third parties	**409,046**	271,343
– affiliates of an equity shareholder of the Company	**4,597**	26,227
– associates of the Group	**3,526**	3,019
Bills receivable	**137,406**	184,582
	554,575	485,171
Amounts due from related parties (Note 15(b)):		
– equity shareholders of the Company and their affiliates	**475**	244
– a joint venture of the Group	**–**	1,116
– non-controlling equity holders of a subsidiary of the Group	**2,548**	2,598
	3,023	3,958
	557,598	489,129
Less: loss allowance	**(14,322)**	(14,170)
Prepayments, deposits and other receivables	**97,491**	62,744
VAT recoverable	**5,324**	18,752
Financial assets measured at amortised cost	**646,091**	556,455
Fair value of put-options in connection with acquisition of a subsidiary	**1,037**	1,139
Fair value of forward foreign exchange contract	**906**	–
	648,034	557,594

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 2020 HK$'000	At 31 December 2019 HK$'000
Within 1 year	**478,698**	410,511
Over 1 year	**75,877**	74,660
	554,575	485,171

(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 2020 HK$'000	At 31 December 2019 HK$'000
Cash on hand and in bank	**720,323**	821,569
Restricted bank deposits	**27,567**	29,322
Cash and cash equivalents in the consolidated statement of financial position	**747,890**	850,891
Less: restricted bank deposits	**(27,567)**	(29,322)
Cash and cash equivalents in the condensed consolidated cash flow statement	**720,323**	821,569

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 2020 HK$'000	At 31 December 2019 HK$'000
Trade payables due to (Note 17(a))		
– third parties	**555,537**	540,776
– a joint venture of the Group	**5,733**	5,628
– an associate of the Group	**–**	123
Bills payable (Note 17(a))	**90,385**	133,569
	651,655	680,096
Amounts due to an affiliate of an equity shareholder of the Company	**2,157**	234
Dividends payable	**42,002**	–
Accrued expenses and other payables	**69,280**	87,141
Financial liabilities measured at amortised cost	**765,094**	767,471
Other taxes payables	**9,946**	16,364
Put-options in connection with share-based transaction (Note 19(c))	**829**	505
	775,869	784,340

At 30 June 2020, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

(a) Ageing analysis

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

	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Due within 1 month or on demand	**561,270**	568,855
Due after 1 month but within 6 months	**67,136**	74,928
Due after 6 months but within 1 year	**23,249**	36,313
	651,655	680,096

18 BANK AND OTHER BORROWINGS

	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Bank loans		
– Guaranteed and unsecured (Note (i))	**34,166**	34,201
– Unguaranteed and unsecured (Note (ii))	**40,508**	25,675
Borrowings from a related party (Note (iii))	**500,000**	500,000
	574,674	559,876

Notes:

(i) As at 30 June 2020, 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 2020, none of the covenants relating to the drawn down facilities has been breached.

(iii) On 12 July 2019, the related party granted a loan of HK$500,000,000 to a subsidiary of the Company, which bears an interest rate of 5.13% per annum and will be due on 12 December 2021.

19 CASH-SETTLED SHARE-BASED TRANSACTIONS

On 1 March 2019, the Group completed the acquisition of 95% equity interests of Huaqi Intelligent. Six put-options were granted to two limited partnerships (the "Holders"), which are collectively owned by management personnel of Huaqi Intelligent. Each put-option gives the Holders the right to put part/all of their owned equity interests in Huaqi Intelligent (the "Underlying Assets") to the Group.

(Expressed in HK$ unless otherwise indicated)

19 CASH-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

Put-options	The Underlying Assets, which are puttable	Conditions	Contractual life
No. 1	Up to 1.5% equity interests in Huaqi Intelligent	Both performance and non-vesting conditions apply (Note)	Expired up to 31 December 2022
No. 2	Up to 1.5% equity interests in Huaqi Intelligent		
No. 3	All the Underlying Assets		
No. 4	All the Underlying Assets	Both performance and non-vesting conditions apply	Expired up to 31 December 2023
No. 5	All the Underlying Assets	Both performance and non-vesting conditions apply	Expired up to 31 December 2024
No. 6	All the Underlying Assets		

Put-options were granted under vesting conditions with reference to financial performance of Huaqi Intelligent (the "Financial KPIs") and non-vesting condition. The commencement date of the vesting conditions varies and is separately determined for each put-option granted upon the grant date.

Note:

Partial achievement on the Financial KPIs will result in the reduction in the puttable Underlying Assets vested, calculated in accordance with the pre-determined formulae at the date of grant.

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

	Percentage of the Underlying Assets subject to put-options	
	At 30 June 2020	At 31 December 2019
Outstanding at the beginning of the period	**100%***	–
Granted during the period	**–**	100%*
Outstanding at the end of the period	**100%***	100%*
Exercisable at the end of the period	**–**	–

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

The exercise price of put-options, which are outstanding at 30 June 2020 is calculated in accordance with the pre-determined formulae at the date of grant. The inputs of these formulae are mainly Financial KPIs of respective assessment year of the put-option.

19 CASH-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) 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. The expected exercisable price is estimated based on financial forecasts of Huaqi Intelligent, which is prepared by the management of the Group, and calculated in accordance with the pre-determined formulae at the date of grant. Expected dividends are based on historical dividends of Huaqi Intelligent.

Expected fulfilment of vesting conditions is taken into account by adjusting the portion of the puttable Underlying Assets 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 2020 was HK$829,000 (31 December 2019: HK$505,000). 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 HK$'000	Accruals HK$'000	Credit losses allowance HK$'000	Write-down of inventories HK$'000	Tax losses HK$'000	Deferred income HK$'000	Provision for warranties HK$'000	Total HK$'000	Fair value adjustments on intangible assets and related amortisation HK$'000	Net HK$'000
At 1 January 2019	7,098	8,117	3,489	–	–	–	–	18,704	(18,016)	688
Exchange adjustments	12	(149)	(58)	(72)	(3)	(17)	(39)	(326)	1,271	945
Business combination	–	–	1,269	1,901	183	556	1,317	5,226	(40,188)	(34,962)
(Charged)/credited to the consolidated statement of profit or loss (Note 6)	(2,286)	6,554	282	1,166	(180)	(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)
Exchange adjustments	(91)	(135)	(169)	(38)	(32)	(5)	(30)	(500)	1,056	556
Business combination	–	–	193	–	–	–	–	193	(268)	(75)
(Charged)/credited to the consolidated statement of profit or loss (Note 6)	(142)	(489)	5,181	37	1,623	(347)	459	6,322	1,452	7,774
Balance at 31 December 2019	4,591	13,898	10,187	2,994	1,591	162	1,632	35,055	(52,497)	(17,442)

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax arising from:	Assets: Amortisation and depreciation expenses in excess of the tax allowances HK$'000	Accruals HK$'000	Credit losses allowance HK$'000	Write-down of inventories HK$'000	Tax losses HK$'000	Deferred income HK$'000	Provision for warranties HK$'000	Total HK$'000	Liabilities: Fair value adjustments on intangible assets and related amortisation HK$'000	Net HK$'000
At 1 January 2020	4,591	13,898	10,187	2,994	1,591	162	1,632	35,055	(52,497)	(17,442)
Exchange adjustments	(102)	(287)	(205)	(59)	(20)	(3)	(29)	(705)	1,067	362
(Charged)/credited to the consolidated statement of profit or loss (Note 6)	(50)	2,771	1,258	143	(1,571)	32	(222)	2,361	1,410	3,771
Balance at 30 June 2020	4,439	16,382	11,240	3,078	–	191	1,381	36,711	(50,020)	(13,309)

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 2020 (six months ended 30 June 2019: HK$Nil).

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

	2020 HK$'000	2019 HK$'000
Final dividend in respect of the previous financial year, approved during the interim period, of HK$2 cents (2019: HK$1 cent) per ordinary share	**42,002**	21,001

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

(I) FAIR VALUE HIERARCHY

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

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

		Fair value measurement as at 30 June 2020 categorised into	
	Fair value at 30 June 2020 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets	**170,790**	**170,790**	**–**
Forward foreign exchange contract	**906**	**906**	**–**
Put-options in connection with acquisition of a subsidiary	**1,037**	**–**	**1,037**
Contingent considerations, current portion	**17**	**–**	**17**
Contingent considerations, non-current portion	**163**	**–**	**163**
Financial liabilities:			
Contingent consideration, current portion	**90,174**	**–**	**90,174**
Contingent consideration, non-current portion	**117,345**	**–**	**117,345**

22 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 2019 HK$'000	Fair value measurement as at 31 December 2019 categorised into Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets	169,680	169,680	–
Put-options in connection with acquisition of a subsidiary	1,139	–	1,139
Contingent considerations	181	–	181
Financial liabilities:			
Contingent considerations, current portion	73,309	–	73,309
Contingent considerations, non-current portion	207,076	–	207,076

During the six months ended 30 June 2020, 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.

The fair value of forward foreign exchange contract in Level 2 is determined by discounting the contractual forward price and deducting the current forward rate.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(III) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

Put-options in connection with acquisition of a subsidiary

The estimate of the fair value of the put-options received is measured based on Black-Scholes model. The expected exercise price, expected period, expected volatility of the price of the option, expected dividend yield, the risk free rate and market price of the option are used as the key inputs into the model with reference to the acquisition agreements and comparable companies historical trading information. The expected exercisable price is estimated based on pre-determined formulae at the date of grant. Expected dividends are based on historical dividends of the subsidiary.

Contingent considerations:

The fair value of contingent considerations are determined using valuation model considering the present value of expected receivables or payments, discounted using a risk-free discount rate.

The Group is of the opinion that the unobservable inputs used in the fair value measurements of contingent considerations receivable is not significant.

The significant unobservable inputs used in the fair value measurements of contingent considerations payable are expected cash flow payments of HK$91,526,000 and HK$122,326,000 during the years ending 31 December, 2021 and 2022, respectively and the discount rate is 1.50% and 2.10%, respectively. At 30 June 2020, if the risk-free discount rate held constant, a 5% decrease in expected cash flows in each of the years ending 31 December 2021 and 2022 will result increase of HK$10,375,000 in the Group's consolidated profits.

22 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:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Put-options in connection with acquisition of a subsidiary:		
Balance at 1 January	**1,139**	–
Loss included in "Fair value change in put-options"		
– Net change in fair value (unrealised)	**(80)**	–
Loss included in "Other comprehensive income"		
– Net foreign exchange loss	**(22)**	–
Balance at 30 June	**1,037**	–
Forward foreign exchange contract:		
Balance at 1 January	**–**	–
Gain included in "Fair value change in forward foreign exchange contract"		
– Net change in fair value (unrealised)	**912**	–
Loss included in "Other comprehensive income"		
– Net foreign exchange loss	**(6)**	–
Balance at 30 June	**906**	–
Contingent considerations receivable:		
Balance at 1 January	**181**	–
Gain included in "Fair value change in contingent considerations"		
– Net change in fair value (unrealised)	**3**	–
Loss included in "Other comprehensive income"		
– Net foreign exchange loss	**(4)**	–
Balance at 30 June	**180**	–
Contingent considerations payable:		
Balance at 1 January	**280,385**	–
Increase from business combination	**–**	287,910
Decrease due to payment	**(71,942)**	–
Loss included in "Fair value change in contingent considerations"		
– Net change in fair value (unrealised)	**4,737**	2,400
Gain included in "Other comprehensive income"		
– Net foreign exchange gain	**(5,661)**	(8,769)
Balance at 30 June	**207,519**	281,541

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(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 2020 and 31 December 2019.

23 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Contracted for	**5,365**	–

24 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 2020 are set out below.

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

	Six months ended 30 June	
	2020 HK$'000	2019 HK$'000
Repayments of loans to a related party	**–**	346,500
Interests expenses of loans from a related party	**13,042**	11,550
Provision of design, implementation and sale of application solution services	**39,965**	17,159
Provision of maintenance of application solution services	**26,706**	23,283
Office rental fees	**2,481**	2,737
Net decrease in advances received	**–**	9,030
Net increase in advances granted	**10,992**	37

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transaction with a joint venture and an associate

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Purchases of goods	**46**	9,108
Dividend received from an associate/a joint venture	**423**	3,093
Provision of design, implementation and sale of application solution services	**2,960**	2,577

(c) Key management personnel remuneration

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Short-term employee benefits	**3,541**	3,850
Retirement scheme contributions	**85**	168
	3,626	4,018

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

The ultimate holding company of the Company, Beijing Infrastructure Investment Co., Ltd., is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 24(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.

25 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Company has repurchased 2,980,000 ordinary shares of its own with aggregate amounts of approximately HK$1,190,000 on the Stock Exchange in July 2020.

26 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 Pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impact the Group's operations and financial position.

Since early 2020, the Group has commenced to put in place various contingency measures. These contingency measures included but not limited to maintaining regular communication with customers and suppliers through online and remote working model to ensure the normal operation of business, steadily promoting resumption of work and operation and taking various measures to reduce the cost and increase efficiency.

As far as the Group's businesses are concerned, if COVID-19 Pandemic situation evolves, the impact on the Group's financial position and financial performance may be as follows:

(a) Significant judgements and estimation uncertainty

COVID-19 Pandemic would impact the entire business operation environment and result in increase in credit risk of customers and decrease in both selling price and financial performance. If COVID-19 Pandemic situation evolves, more uncertainties would be brought into consideration in following judgements and estimations:

- Expected credit losses
- Net realisable value of inventories
- Recoverable amounts of non-financial assets and goodwill

(b) Fair value measurement

Measurement of fair value of contingent considerations are mainly determined by the excepted cash flows of consideration to be paid (Note 22(a)), which are based on the financial performance of Huaqi Intelligent in future periods. If the future financial performance of Huaqi Intelligent were significantly impacted by evolving COVID-19 Pandemic situation, the fair value measurement of contingent considerations will be adjusted accordingly.

(c) Investment in a joint venture

A joint venture of the Group is mainly engaged in operating Beijing Subway Capital Airport Express. Given both airlines and public transportation business were significantly impacted by COVID-19 Pandemic, the Group recorded a share of loss of the joint venture in the interim period. If COVID-19 Pandemic situation evolves, the landscape of both airlines and public transportation business may be re-shaped in a long run. The Group will monitor the operation of the joint venture closely and re-visit all available measures to safeguard the investment in the joint venture.